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**CONDOMINIUM OPERATIONS
AND
MANAGEMENT
TRAINING MANUAL

FOR UKRAINE**

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AUTHOR'S NOTE ON THE FIRST DRAFT

This manual has been prepared in draft form as part of a project sponsored by the United States Agency for International Development (USAID), The Urban Institute, and PADCO. The project provides technical assistance and training to new owners in condominiums, to property managers, to municipalities, and to other persons involved in the establishment and operation of condominiums in privatized apartment buildings in Ukraine.

SECTION I - CHAPTER ONE

AN INTRODUCTION TO CONDOMINIUMS

Housing privatization has been underway in Ukraine since 1992 with the passing of the Law of Ukraine "On Privatization of State Housing Stock". Now most citizens in Ukraine have the opportunity to become owners of their homes, and many have chosen to do so.

For people who live in apartment buildings, there is a special new law that permits a form of ownership called "condominium" or "association of homeowners". The condominium form of ownership has been very popular throughout Western Europe and the United States for many years.

Under the new law, each privatized apartment building (with 2 or more privatized apartments) will become a condominium. This chapter provides an introduction to the concept of condominiums and discusses the specific details which can make condominiums a unique and successful form of homeownership.

A. WHAT IS A CONDOMINIUM?

To people who are unfamiliar with condominiums, they may seem quite mysterious. In fact, a condominium is nothing more than an apartment building that is owned in a particular way.

THE CONDOMINIUM FORM OF OWNERSHIP

In a condominium, some parts of an apartment building are owned by a family, an individual person or a corporation. Each of these apartments and the commercial spaces, (such as shops) are called a "condominium unit." The other parts of the building -- everything that is not in a unit -- is called "common area." The common area is jointly owned by the owners of the units.

Common areas, for example, may include the roof, the building foundation, exterior walls and windows, hallways, stairways. The land underneath the building, the landscaping and the infrastructure used to support the building are also part of the common area, in so far as they are jointly owned by the owners of the units.

OWNERSHIP SHARE (BENEFICIAL INTEREST)

The portion or the share of the jointly-owned common property that is owned by each individual owner is commonly known as the "beneficial interest" and is determined by the following formula:

$$\text{BENEFICIAL INTEREST} = \text{Gross Area of Unit} / \text{Gross Area of All units}$$

Each owner's share or beneficial interest in the common property is the same as the ratio of the floor area of the owner's unit to the total floor area of all the units. The beneficial interest is usually expressed as a percentage. The common areas -- the parts of the building that are not within an apartment or shop -- are not included in adding up the floor area of all of the units.

Remember that the beneficial interest applies only to ownership of the common property -- the roof, building foundation and so forth. Each owner owns 100% of their own unit.

The beneficial interest plays a very important role in the operation of the condominium: It determines each unit owner's responsibility for common expenses and also determines the value of the voting power assigned to each unit.

In all cases, the unit owner is wholly responsible for the costs of maintaining their own apartment. However, it is the beneficial interest that determines the cost to the owner of maintaining and repairing the common elements.

EXPENSES OF CONDOMINIUM OWNERSHIP

It is very important for every owner in an association of homeowners to understand what they will have to pay for. The two primary categories of expenses which must be paid by each owner include:

Individual Expenses:

Each owner must pay all the costs of maintaining, repairing or improving their own unit.

Common Area Expenses:

Each owner must pay their share of the common area expenses. As stated previously, this expense is based on the beneficial interest assigned to each unit. It is important to remember that both residential and commercial unit owners have the same responsibilities. Units which continue to be owned by the government after the condominium has been created are treated no differently than other residential units. The municipality, as a condominium owner has the same rights and responsibilities as any individual owner.

In the early stages of condominium operation, the expenses of ownership may be a burden for some people. In most cases, the cost of maintaining an apartment and a share of the common expenses, as is required in a condominium, will be more than the amount people have paid for rent in the past. However, even if you rent an apartment, your housing costs will continue to increase over the next several years as the government reduces the amount of subsidies for housing expenses. In the interim, as long as there are government subsidies, privatized buildings will continue to receive the same level of subsidies for maintenance and services as do municipally owned buildings. The main difference is that in condominiums, subsidies will flow directly to the property so that the condominium can prioritize how the money is spent.

ADVANTAGES OF CONDOMINIUM OWNERSHIP

Even when the subsidies end, there will there will be a number of advantages to condominium ownership that will help offset the higher cost:

Owners have valuable property rights.

Basic ownership rights in a condominium are the same as they are for owners of other kinds of property. Each owner may use, sell, or rent their property. They may leave it to their heirs in a will.

Owners do not pay rent.

At the present levels of rent, the government can no longer afford to pay for the cost of maintaining the apartment buildings. Rents will have to continue to increase, yet tenants will still have no control over the quality of their housing or assurances that their rent payments are being used to maintain their properties. Although condominium owners will pay common area fees, the condominium structure insures that these payments will be used solely for the purpose of improving the quality of the property and that the owners will determine the priorities for the property.

Owners decide how the building will be maintained.

Most people agree that the quality of building maintenance services provided by the government is not very high. In a condominium, the owners can vote on how the building will be managed, and what level of maintenance they wish to have. They can decide whether they want to improve the appearance or the condition of the property, what improvements are most important and how much they can afford to spend for them. They can also determine the quality and timing of maintenance and repairs. Contracting through competitive bidding will improve the quality of maintenance and reduce costs.

Pride of Ownership

Owners will be directly responsible for all aspects of operating their property from electing owner representatives to operate the condominium, to prioritizing maintenance and repairs to assisting residents in individual problems. As of result of controlling their living environment, as property owners, residents will take greater care to maintain and protect their properties, which in turn will increase the value of the property.

Security of Tenure

As a tenant, you have no property rights. In the past when there was no concept of real estate ownership, everyone was secure in their tenancy. However, as the private real estate market evolves, the rights of property owners may include the right to increase rents or terminate a renter's tenancy. If you own your own unit, no one has the right to take that home away from you.

Owning a home can be a good investment.

If an owner wants to move, they can sell their apartment or rent it to someone else and keep the income. The value of the apartment is likely to increase over time. Therefore, they can use the profit they make from a sale to invest in a larger home or one that is more attractive or in a more convenient location.

As the housing market continues to evolve in Ukraine, it is already becoming clear that condominium owners are more satisfied with their housing and their ability to decide on what their homes will look like and how they will be maintained. As the banking system further adapts to a free market economy and the ability to borrow money for purchasing becomes more commonplace, the financial benefits of condominium ownership also become more evident.

Creating and operating a condominium is a challenge for everyone involved. At this early stage of development, there are likely to be frustrations. However, persistence and commitment to the concept of real estate ownership becoming available to the average family will result in guaranteed success. This success can be measured by a significantly improved standard of living for condominium homeowners and their families and a financially viable housing economy.

This Chapter has summarized the basic concepts which together define a condominium. The following Chapters provide detailed information about the central aspects of condominium life. This information can be readily applied in determining how your condominium is organized and operated.

SECTION I - CHAPTER TWO

THE LEGAL FRAMEWORK

This chapter provides specific information about the legal framework for condominiums in Ukraine, including the Condominium Law, the Charter, and registration of the Association of owners.

A. THE CONDOMINIUM LAW AND RELATED DOCUMENTS

The first regulations concerning privatization and homeownership were adopted in Ukraine with the Law of Ukraine “On Privatization of State Housing Stock”, 19 June, 1992. More recent legislation has since been passed since 1992 and is included in this manual in the Appendix (Decree #588, passed on 31 July 1995).

The regulations tell how condominiums will be established, how the Charter will be registered, what the Charter must contain, and how an Association of home owners will be established in privatized apartment buildings and registered as a legal entity in the local jurisdiction. Once an Association has been created, all owners in the building will automatically be a member and must comply with the terms of the Charter and decisions of the Association.

Ownership Provisions. The Condominium Law sets out the two fundamental principles of the condominium form of ownership: (1) by virtue of ownership of an individual unit, one also has a beneficial interest* in the common areas of the property, including the land and (2) each unit together with its proportionate share of the common property is an identifiable parcel of property, freely alienable.

Owners contribute to the common expenses, including maintenance and repair of the common property, proportionately, that is, in accordance with their beneficial interest. Owners also have a vote in the affairs of the Association. The weight of each vote is also in accordance with their beneficial interest¹.

Association Decision Making. The Condominium Law provides that the Association’s Charter will designate that certain decisions regarding the affairs of the condominium may be made only by a specified percentage of the allocated votes at a General Meeting of the owners. In most cases this percentage is 51% of the total ownership, although often a simple majority is allowed. A General Meeting of the Association must be held at least once each year. These decisions include:

- amending the Charter;

x

¹ The Charter will specify the weight of the beneficial interest for each unit, and in most cases, the beneficial interest will be the same proportion as the area of one’s unit is to the total area of all units.

- electing the Board of Directors and Auditing Committee;
x
- approving the budget and financial statements;
x
- determining the amount of assessments;
x
- renting, selling or restricting the use of the common property;
x
- deciding how much to compensate the Board of Directors.
x
- deciding whether to expand or renovate the common property (this is the only decision specified in the Condominium Law, and it specifies it to require a vote of three quarters (75%) of the allocated votes at a General Meeting);
x

The owners will also make decisions about how the common property will be managed and maintained, to the extent that such decisions are not delegated by the owners to the Board of Directors. In most condominiums, the owners delegate authority to make most decisions about the Common Property to the Board of Directors because it is impractical for the owners to meet every time a decision must be made.

The law also specifies certain provisions that must be included in the Charter. The Charter is very important because its provisions are binding upon each owner.

The Charter must contain the following information:

- purposes and objectives of the Association;
x
- name and legal address of the Association;
x
- procedures for management of the common property;
x
- rights and responsibilities of the owners;
x
- how funds of the Associations will be collected and allocated;
x

- procedures for determining the allocated share of each owner for common expenses;
- x
- procedures for termination of the Association.

A model Charter is provided at the end of Chapter II.

Bylaws. The law does not require Associations to adopt bylaws or other operating regulations. Adoption of bylaws is advisable because a high percentage of the unit owners must vote to amend the Charter. This makes the Charter somewhat inflexible and difficult to adapt to changing conditions or needs in the condominium community. Bylaws, on the other hand, can be amended by majority vote of the owners, or any other percentage that is agreed upon by the owners and outlined in the Charter.

Among the many matters that may be included in bylaws are:

- the date of the annual unit owners' meeting;
- the designation and responsibilities of officers of the Association;
- house rules and regulations; and the like.

x

Each Association should adopt bylaws that are adapted to its own particular situation and needs.

Samples of a Model Charter and by-laws can be found in the Appendix.

B. ESTABLISHING THE CONDOMINIUM

The property records in the Building Technology Inventory should indicate when an apartment building in state, municipal or departmental ownership is eligible for private ownership. As individual apartments and allocated interests in the common property are transferred to private individuals, the records should be changed to indicate the change in ownership.

Once privatization of a building has begun, the homeowners association can be established and, in fact, the Decree #588 stipulates that all privatized buildings(those with 2 or more privatized apartments) must register as a homeowners association.

- First, it is necessary to hold a Foundation Meeting where the former owner (State) and not less than 50 % of the privatized owners are present.
- Then, it is necessary to prepare a Charter that meets the requirements of the Condominium Law.
- Then the Charter must be registered in the appropriate office of the local jurisdiction.

When the certificate of registration has been issued, the Association for that condominium becomes a legal entity and is authorized to act on behalf of the owners in exercising its designated powers.

Details regarding the specific steps required in Registration are included in the Appendix.

SECTION II - CHAPTER ONE

DECISION-MAKING IN A CONDOMINIUM ASSOCIATION

A. THE HOMEOWNER ASSOCIATION

A Homeowner Association is a private, nonprofit organization. It functions somewhat like a mini-democracy, in that it must operate in accordance with the law and written regulations, and most decisions are made by vote of the members of the Board of Directors, who are elected by the members of the Homeowner Association. The most successful and financially healthy Homeowner Associations recognize that they are in fact businesses. However, unlike traditional business operations, profit-making is not an objective; the overriding goal is to operate efficiently and always in the best interest of the "client", which is the group of owners comprising the Association.

Individual owners become members of the Homeowner Association when they purchase their unit. Membership in the Homeowner Association is automatic, in accordance with the Condominium Law and Charter, and all owners must comply with decisions and regulations adopted by the Homeowner Association.

In a condominium, the primary interest of the owners is in the continuing success of the Homeowner Association. A well-functioning Homeowner Association will help ensure that the value of the property will be maintained or increased and that residents will live in safe and sanitary housing. It is important for the owners to participate in the activities of the Homeowner Association to ensure that the condominium is operated effectively and to protect their investment in their property.

THE ROLE OF GOVERNMENT

Some tenants may not want to take ownership of their apartments. In this case, the former owner (the government or enterprise) will still be the owner of these apartments. Once the condominium association has been created, if the former owner is the government, it will have the same responsibilities as any condominium owner. The government will be a member of the Association and will have the right to vote in the decisions of the Association. At the time this

manual is being written^{*}, the National Government has made a commitment to incorporate into the Sample Homeowner Association Charter, limits on governments voting power in Association decisions. It is likely the limits will be similar to those in other countries where the government's voting power is no greater than that of any other owner of an equal interest in the condominium. Additionally, the government's voting power may be no greater than thirty percent of the total number of votes in the Association, regardless of the number or the size of the units it owns.

The government, based on this proposed commitment, would have the same obligations as the private owners. It will have to pay all the expenses of maintaining and repairing the units it owns, and it must pay its share of the common expenses. If the government owns an apartment that has a five percent share of beneficial interest in the condominium, the government must pay five percent of the common expenses for maintaining and repairing the common property. The thirty percent limit does not apply to expenses. If the government owns units representing seventy five percent of the condominium, it must pay 75% of the common expenses, even though its voting power is still limited to 30%. Furthermore, the government will be obligated to abide by all the same rules and regulations as other owners and must comply with decisions made by the Board and the Association.

STRUCTURE OF THE HOMEOWNER ASSOCIATION

General Meeting. The owners, acting together in a General Meeting, are the highest authority in a condominium. For the sake of efficiency, they delegate much of their day-to-day decision-making power by electing a Board of Directors to manage the condominium.

Board of Directors. The authority to set the policies for the operation and management of the condominium usually is delegated by the members of the Homeowner Association to a Board of Directors. Members of the Board of Directors are responsible to the owners and must act in the interests of the owners in carrying out their responsibilities. They may manage the building themselves, or may hire a professional property manager to do so.

Account Auditing Committee. The owners may elect an Account Auditing Committee to review the accounts of the Homeowner Association and advise the Homeowner Association and the Board of Directors on the financial affairs of the condominium. If there is an Account Auditing Committee, it must

^{*} date: October 1995

report to the General Meeting at least once a year on the financial status of the Homeowner Association.

Owners. The Board of Directors must have the full support of the owners to carry out their duties successfully. Members of the Association who are not Board members must constantly remember that they have elected a Board of Directors which must have the latitude in decision making to handle the day to day operations of the property.

The cooperation of the owners is particularly important in a number of respects, such as:

- paying monthly charges promptly;
x
- reporting needed repairs to plumbing, wiring, and other equipment;
x
- reporting leaks or defects in roofing, windows and doors;
x
- keeping apartments and common property clean;
x
- minding behavior of children and guests;
x
- serving on committees or performing volunteer work.

a)

Individual owners do not have the authority to give orders to maintenance or management employees or to tell them how to do their jobs. All complaints should be referred to the Board of Directors since it is the responsibility of the Board to oversee the work.

Property Manager. A property manager is a professional individual or firm retained to manage and operate the property in accordance with the policies of the Homeowner Association. Typically, the Board of Directors will delegate a clearly defined series of its responsibilities to this manager or firm. A property manager reports to and is supervised by the Board of Directors.

Other Committees. The Board of Directors may be assisted and advised by other committees, set up for a specific purpose and made up of owners. Committees may be delegated authority to assist with renovation or other construction projects, maintenance of the condominium grounds, social or educational activities, and the like. Effective committees can play an important role in the operation of an Homeowner Association.

Contractors. The Board may contract with various individuals or firms from time to time to perform specified services to the condominium association. Typically these services will either be categorized as *professional services* or *maintenance services*. Examples of professional services include attorneys, outside auditors, architects and engineers. Maintenance services may be provided by

skilled tradespeople such as plumbers or electricians or more general labor including carpenters or janitors.

Employees. Employees may be hired on a part or full time basis by the Homeowner Association, if needed. They are supervised by the Board of Directors or property manager. In a condominium, employees typically include general handymen or cleaning personnel. However, the Board may decide to handle most management responsibilities themselves, relying on an employee to address one specific area of management. An example might be a bookkeeper whose responsibility is limited to financial recordkeeping.

B. THE BOARD OF DIRECTORS

The members of an Homeowner Association elect a Board of Directors to set policies for the Homeowner Association and to oversee the execution of these policies. In some cases the owners also elect an Auditing Committee. The responsibility delegated to the members of this committee are to monitor and oversee the financial affairs of the condominium.

In many situations, the Board members will take direct responsibility for executing the policies and implementing procedures --- by hiring employees, entering into contracts, using volunteers from among the owners, or performing certain management functions themselves. In other cases, which are likely to become more commonplace in the future, the Board may hire a property management firm to handle one or more of the management functions for which the Board is ultimately responsible.

Whatever form of management is used by a condominium, it is the responsibility of the Board of Directors to see that the policies are carried out.

The members of the Board of Directors are elected for a specified term by all owners. They constitute a representative form of government. Although the ownership, as a body, retains the highest level of authority, considerable authority is vested in the Board. This is necessary in order for a condominium to operate effectively. For example, a condominium may include several hundred owners. In terms of the ongoing operation of the condominium, it would not be feasible to have all owners gather together to decide on items such as the cleaning schedule for the janitor or to analyze and come to a conclusion regarding a specific repair. At the same time, major decisions regarding capital improvements or significant changes in the financial operation would be

brought to the ownership at a General Meeting for discussion and possible a vote, depending on the nature of the issue.

In their role as Board Members, these owners, who are elected representatives, have the responsibility to facilitate the management and operation of the physical plant, monitor and review financial activities and to deal with all administrative areas which may include legal actions, promulgating and implementing rules and regulations, negotiations with government entities and general correspondence and recordkeeping.

In fulfilling their responsibilities as Board Members, owners must remember that they are acting as representatives of all owners. When they are serving their Board function, their individual concerns as an owner must be secondary. Their primary concerns are how an action will affect the interest of the Condominium Association as a whole. In order to be successful in this endeavor, Board Members must always avoid conflicts of interest. It is unacceptable for a Board Member to decide on an action because it will benefit them in their professional or personal lives. Secondly, Board Members should always refuse unauthorized remuneration. Depending upon the model of property management used, Board Members may be paid for their management roles. However, if this is the case, it should be agreed upon by the owners in advance and a schedule of fees should also be disclosed in advance. Finally, a Board Member must refuse any discounts or rebates. For example, if a roofing company suggests that they will give Board Members a payment if they are awarded the roofing job, the Board must refuse this offer.

One of the most effective ways to ensure that Board Members act responsibly is to make certain that the Charter, Master Deed and any other written materials, such as Rules and Regulations are comprehensive, clearly written and very specific in how issues are to be handled. Communication with owners is also critical -- to make certain that everyone is informed and understands what is happening and how an action will affect the condominium association.

Establishing clear policies helps ensure that the building and grounds will be well maintained, that there will be adequate funds to repair or replace parts of the building and equipment as necessary, and that all owners will be aware of and abide by certain rules that make condominium living more pleasant and satisfying for everyone. Poor policies, on the other hand, result in economic instability of the Homeowner Association, deterioration of the property, and conflict and dissatisfaction among the owners.

C. MEETINGS

General Meeting

The Homeowner Association will meet at least on an annual basis at the General Meeting. At that meeting, elections for Board members will be conducted and there will be a discussion of the budget. It is likely that the Audit Committee will present its report at this meeting.

This meeting also provides a forum for the Board to review the activities and projects of the prior year and present its proposed priorities and activities for the upcoming year. In addition to voting for Board Members, other items may require a vote. Owners may also present new ideas or concerns that they wish to be considered and/or acted upon.

Many decisions of the Homeowner Association and the Board of Directors are made at meetings. This section includes a discussion of how meetings are conducted. The use of an agenda and other standard procedures are helpful in ensuring that meetings run smoothly and efficiently.

Board Meetings

The Board of Directors will meet on a regularly scheduled basis. Typically, in the early years of a condominium's operations, the Board will meet monthly. A typical agenda for Board Meetings will include discussions of recently completed, current and prospective maintenance projects, a review of the monthly financial reports and discussions of any problems or issues brought to the attention of the Board by the owners. Some Boards have their meetings open to all owners, while others will have a portion of the meeting open for owners to attend and bring their concerns to the Board as a group; the remainder of the meeting is closed. There are benefits and limitations to both approaches. From time to time, there may be issues that are confidential concerning individual owners. In order to maintain that confidentiality, the Board may want to have a closed meeting. There is also a concern that it will be difficult to efficiently discuss an issue if there are too many people involved in the discussion. At the same time, the Board wants to make certain that owners do not feel that they are being excluded from the decision-making process. Whichever meeting mode a Board uses, it will want to review it from time to time to make certain that owners are not feeling left out or that the meetings have become unwieldy and counterproductive. In any case, all owners should be informed of upcoming

Board Meetings and the proposed agenda so that they can have input or attend as appropriate.

Other Meetings

There may be a reason to have additional Owners' Meetings during the course of the year. These meetings may be for informational purposes or because an issue requires a vote. It is also possible that a group of owners will request a meeting to discuss a certain concern. These meetings are conducted in the same manner as the General Meeting.

General Meetings may involve large numbers of people. The decisions made at these meetings are central to the operation of the condominium. Therefore proper procedures should be adhered to. Meetings of the Board of Directors are typically conducted in a more informal manner, but the basic rules of conduct should still apply. Attached in the Appendix is a detailed set of recommended procedures.

RECORDING THE MINUTES OF MEETINGS

It is essential to make a record of what took place at a meeting and what actions were taken. Such a record makes it possible to refer to past decisions and is part of the institutional history of the Homeowner Association.

The secretary is responsible for keeping the minutes of meetings. Usually, the secretary takes notes during the meeting and later prepares the minutes. When the minutes are completed, the secretary signs them. After they have been approved by the owner, based on accuracy, at the next meeting, the secretary files them with the other records of the Homeowner Association.

The minutes follow the agenda for the meeting. They might include, for example, the following:

- type of meeting (Board of Director's or General Meeting);
x
- date, time and place of the meeting;
x
- name and title of person presiding at the meeting;
x
- business introduced;
x
- reports submitted;
x
- motions made;
x
- decisions made or action taken;
x
- nominations;
x
- results of voting on nominations.

Sample meeting forms and notices can be found in the Appendix.

D. ELECTIONS

As has been discussed, the Condominium Association relies on a representative form of government. The representatives are owners, elected from among all the owners, to represent the interests of the Condominium Association. The details of when elections are held, how many Board Members there are and their term, are found in the Condominium Charter. It is very helpful when terms are staggered. This means that, for example, if there are three Board Members, one serves a one year term, one serves a two year term and one serves a three year term. In this way, there is always some continuity of experience on the Board.

Typically, the election is conducted at the General Meeting. All owners are eligible to vote [however, it is possible, for example, that a condominium has a policy that only owners in good standing (those who are current in their payments) are eligible to vote)].

In electing Board Members, it is helpful to have a variety of interests and skills represented on the Board. Whether the Board is handling management directly or delegating responsibilities, having members, who among them represent expertise in the fields of finance, physical maintenance and repair, law and general administration, is very helpful. It is also useful to have people of different ages who are likely to bring different perspectives and experiences to the Board.

The election of Board Members is a serious endeavor. It is important that it be done in accord with all legal requirements and that all owners be fully informed of an upcoming election, what they should do if they wish to run, and what their responsibilities and obligations are, if elected.

E. COMMUNICATIONS

Being part of a Homeowner Association is a new and exciting challenge. It can also be anxiety producing. One of the best ways to make certain that all owners are comfortable as condominium owners is to have reliable and regular communication between the Board and the owners. Communication occurs in a number of ways.

Agendas provided to owners in advance of a Board Meeting provide a quick snapshot of what is happening at the property;

- Notices about upcoming activities which will affect owners (i.e., repair work which will interrupt electrical service or a printed schedule of regular Board meetings);
- Minutes of meetings should be available for review as requested by owners. In this way, owners who are interested in the details of certain actions can access this information;
- Newsletters regarding items of general interest or informational letters about the status of specific projects are useful in making all owners a part of the process.

A general approach which can enhance the communication process is to broaden the base of active owner participation in the condominium association. A committee structure can be helpful in meeting this objective.

Committees can be general purpose committees such as a property committee, activities committee or landscaping committee or may be set up to address a specific project.

A property committee might help the Board of Directors set policies designed to maintain the property in the best possible physical condition. It would concern itself with problems such as use and maintenance of common property, and standards for additions or alterations in units.

An activities committee could organize social or recreational activities for the Homeowner Association so that owners could get to know their neighbors and discover their common interests. For example, the committee could organize a holiday party or a lecture on a topic of interest to the owners.

By broadening the base of participation in this way, work can get done more efficiently, and more owners will be informed and involved in the operations of the condominium. If owners play an active role in the process, they are more likely to be informed and feel that they have had an input in the decision-making process. This type of communication and interaction can counter the feeling or sense of lack of control over one's environment.

F. RECORDKEEPING

Central to the efficient administration of the condominiums operations is an effective and orderly recordkeeping system. Frequently, recordkeeping is viewed as an end in and of itself. This should not be the case. Records should be organized so that they improve the quality and effectiveness of the condominium association. The key goals of a recordkeeping system are:

1. To provide a historical perspective for planning purposes.
2. Create evidence and confirmation of transactions and activities.
3. Provide ready access to useful information.

The objectives in maintaining a system of records include:

- capability to retrieve all property information in a timely and efficient manner;
- capability to access and use information for reporting purposes;
- capability to access and provide documentation for property activities and conditions;
- creation of reliable and accessible information base which can be used to analyze building needs and priorities.

x

In making decisions concerning the future of the condominium, it is important that Board Members have available to them documentation and records which they can use to assist them in making informed and wise decisions. If records are not available, complete or accurate, there is no objective basis for their

decisions. It is important to remember this, since it is easy to give a low priority to recordkeeping and "get away with it" for a period of time.

Traditionally, recordkeeping has depended on a "paper" filing system. In today's world of automation, the concept of recordkeeping has been extended to include computer records, tracking programs and tickler "files". Although computers, if available, provide an excellent tool for management, files maintained on paper are of equal value although the time which must be dedicated to the task may be greater. Regardless of the type of system implemented, it will only be of use if the necessary documentation, correspondence and reports are created and filed consistently on a regular basis.

G. PROBLEM SOLVING

When people share ownership and use of property, rules must be established to preserve the value of the property and its peaceful enjoyment by all residents. When problems or disputes arise, the first thing the Board must review are the legal documents. These legal documents which establish an Homeowner Association also provide some guidance for regulating the operation of the property and rules for its use. The legal documents usually consist of the following:

Charter. This document establishes the condominium Homeowner Association, describes how the owners will share the common property, and defines the purpose, structure, and powers of the Homeowner Association. It is a very important document because it acts as a "master agreement" among all of the owners.

Bylaws. Bylaws provide more specific information about how the Homeowner Association will function, the responsibilities of the members and the Board of Directors, the responsibilities of officers of the Homeowner Association, and how meetings of the Homeowner Association and the Board of Directors will be conducted. Bylaws may include general rules and regulations for the condominium, as well as a description of the rights and obligations of the owners and their use of the common property in the condominium.

National and Local Laws. The federal legislation also provides some broad guidelines regarding the operation of the condominium. Although there is currently limited local law, as more municipalities adopt local resolutions for

the creation and operation of condominiums, there may also be specific requirements or procedures outlined there.

PROBLEM SOLVING STEPS

Once a problem has been identified and the legal documentation has been reviewed, it is incumbent upon the Board to act swiftly in addressing the problem. Problems may be between owners concerning such things as housekeeping issues or quiet enjoyment. They may be between owners and the Board regarding projects undertaken, assessments not paid and so forth. In any case, the objective is to amicably resolve a dispute whenever possible. The following are generic steps to be taken in addressing a problem.

1. Identify the scope of the problem.
2. Determine who has the authority and obligation to address the problem.
3. Consider different approaches to solving the problem; evaluate the human and financial resources in relation to the various approaches.
4. Formulate and implement a plan.
5. Communicate the plan to those involved.
6. Monitor and evaluate the implementation.

Underlying all these steps is the assumption that information is being analyzed objectively and that all individuals are treated equitably.

PROBLEM SOLVING TOOLS

There are a number and variety of problem solving tools which can be used to follow through on the resolution of disputes. A homeowner association is in fact a neighborhood. The overriding goal is to enable neighbors to live in harmony, enjoy the freedom and flexibility to act independently as long as they do not infringe on the rights of others. However, if people are unwilling to cooperate, the Board is obligated to escalate the penalties imposed in order to gain cooperation. The following describes the basic tools which can be used in problem solving:

Communication

Frequently, problems arise because people do not discuss concerns with each other until there is a conflict, or they make assumptions about actions they take. In many cases, a violation of a rule or regulation can be readily corrected by simple but meaningful communication between the parties. This is the optimal resolution. Communication should be the "tool of choice" whenever practical.

Documentation

Successful enforcement of a rule or regulation is frequently dependent upon the existence of written documentation. As we know, two people may attend the same meeting, but their reports of what occurred at that meeting may differ significantly. When a dispute occurs, it is always useful if not imperative that there be documentation regarding the subject of the dispute and the actions taken. Otherwise, there is no objective basis for decision making. If the dispute cannot be resolved amicably and legal action has to be taken, without documentation, no legal action will be successful.

Mediation

There are situations where there is documentation and communication has occurred, but the parties cannot resolve the dispute on their own. An alternative to legal action is mediation. A mediator is an independent third party who listens to both sides of a dispute and renders his/her opinion. Mediation is only an option when both parties agree in advance that they will abide by the decision of the mediator. Mediation is typically less costly and can be accomplished in a shorter time period than litigation. It also fosters a sense of cooperation among those in dispute, whereas litigation typically creates a negative atmosphere.

Litigation

Although litigation is the last choice in dispute resolution, the Board has the right and responsibility to take legal action against an owner if they cannot reach an agreement on how to resolve the dispute. Litigation is typically expensive (this is a common area expense although the legal costs, in some cases can be charged back to the other party if the Association is successful) and time consuming. It also tends to exacerbate negative feelings among the parties rather than reduce them.

For the most part owners will live together harmoniously. However, when disputes arise they cannot be ignored. The Board must address all concerns raised to them, respond to them equitably and look to a resolution which is in the best common interest.

SECTION II - CHAPTER TWO

MANAGING THE CONDOMINIUM

The major responsibility of the Homeowner Association is to protect the investment and enhance the value of the property of the owners. This is done by providing for the physical maintenance and operation of the common property, and by using the funds of the Homeowner Association in the most effective way possible to meet this responsibility.

The Homeowner Association delegates certain responsibilities to the Board of Directors, as its representative. However the Homeowner Association always retains responsibility for overseeing the Board and its enforcement of the rules and bylaws of the condominium. It can also provide social and recreation programs, and set up an effective communication system among the owners. It also deals with the local government as issues occur which may affect the conditions and values of the condominium.

A. AREAS OF RESPONSIBILITY

There are three major areas of responsibility in the management of the Condominium Association:

- financial management;
- maintenance management; and,
- administration.

As will be discussed later, there are a variety of models of management which may be used in fulfilling these responsibilities. Regardless of the model used, the tasks required remain the same. The following is a discussion of each of these three areas of responsibility. Additional details regarding the "how-to's" of Financial and Maintenance Management can be found in Chapters three and four.

FINANCIAL MANAGEMENT

There are several elements in the financial management of a condominium association. These include financial planning, budgeting and accounting (financial recordkeeping). Related to these elements is the critical activity of

collections of common area fees, which forms the underpinning of the entire financial operation.

Common Area Assessments

The Homeowner Association sets the amount of assessments or fees each owner must pay each year, according to the projected operating expenses for the condominium as a whole. The Board of Directors must prepare a budget for each fiscal year, on the basis of previous and current costs and the anticipated expenses for the next year. Expenses can be expected to increase each year because of factors such as inflation, real estate taxes, higher wage and management costs, the need for larger reserves, and additional services.

Each owner must pay his/her allocated share of assessments. If the Homeowner Association does not receive the assessments it needs to operate, it will be forced to spend time and resources to collect from the delinquent owners. If the Homeowner Association finds that it does not have the funds needed to operate as planned, it will be forced to cut back on maintenance or services. Failure by some owners to pay their share may even cause utilities or services to the whole building to be cut off. When the Homeowner Association has inadequate funds, this will soon be reflected in the appearance and condition of the property, and in the quality of the operations. Inadequate maintenance and services ultimately cause the value of the property to decline for everyone.

Policies and Procedures for Collecting fees. Establishing and enforcing a detailed policy for collection of monthly condominium assessments is necessary to the financial soundness of a condominium. Although you should always be compassionate, the Board and owners must remember that the Association is a business operation rather than a charity or social service organization and must be operated as such. While every reasonable effort should be made to assist owners who have a temporary financial problem, it is important to remember that the failure of a few owners to make their payments promptly can jeopardize the financial security of every other owner. Everyone must be informed of the due dates, amount and procedures for payment. Owners must also be informed of any and all the consequences for non-payment of fees.

The following is a basic guide for steps to collecting common area fees:

1. Make certain that everyone knows the amount of the fee, the date due, and the procedures for payment.

2. When an owner misses his/her payment, send him/her a reminder notice

that includes:

- a) Amount of money owed;
- b) A deadline for payment without penalty; and,
- c) The possible additional consequences for non-payment.

3. If there is still no payment:

- a) enforce penalty (which has been previously established by the Association); and,
- b) give a deadline which, if not met, will result in additional consequences.

4. If there is still no payment, enforce additional consequences (penalties).

For example:

- a) garnishing of wages
- b) rescission of voting rights
- c) property lien
- d) foreclosure

ALWAYS REMEMBER TO
IMPLEMENT PENALTIES
EQUITABLY AND CONSISTENTLY

Financial Planning and Budgeting

An annual operating budget is a financial plan for meeting the costs of operating and maintaining the homeowner association properly. The budget is based on the amount of income which the condominium can expect to receive during the year and the amount of money which it will have to spend to operate and maintain the project.

The budget may be prepared in preliminary form by the property manager if there is one. Otherwise, the Board of Directors prepares the budget. In any

case, the budget should be reviewed and approved by the Board of Directors before it is presented to the owners for approval.

The budget is an important informational and planning tool. The Board should be reviewing the budget projections and comparing them to actual expenses on a regular basis to make sure that the Condominium Association is financially stable and to identify problem areas before they create a crisis.

Preparation of a budget is discussed more fully in Section II - Chapter Three, Financial management.

Accounting

Accounting procedures must follow generally accepted practices and standards. The Auditing Committee will oversee the financial activities of the Association. In addition, the accounts of the condominium should be audited by an independent auditor on an annual basis, and a report made to the General Assembly.

A condominium should have two types of bank accounts: (1) a checking account for ordinary operating expenses such as management fees, employees' salaries, supplies and materials, utility bills, and charges for services such as trash collection; and (2) an interest-bearing savings account for reserve funds to pay for larger expenses, such as replacement of equipment or payments to contractors, or for expenses that come due only once or twice a year, such as insurance or taxes. Although during periods of excessive inflation, consideration may be given to alternative methods for accumulating a reserve.

Detailed information on accounting procedures and the preparation of financial reports is included in the financial management chapter of this manual, Section II, Chapter Three.

MAINTENANCE MANAGEMENT

A high quality and comprehensive maintenance program can often mean the difference between success and failure of a homeowners association. The goal of a good maintenance policy is to obtain the longest useful life from all building components at the lowest possible cost. Maintenance management includes prioritizing and categorizing work to be done, planning for long term capital needs as well as routine repairs, contracting for services, coordinating activities, scheduling work, and monitoring for quality control. It also involves purchasing of supplies and equipment.

In general, the Homeowner Association is only responsible for maintenance of common areas. However, if individual owners do not properly maintain their units and thus jeopardize the health and safety of others, the Association has the right and responsibility to cause repair to be done, even within the unit, and charge the owner for the cost.

See Section II, Chapter Four for detailed information about Maintenance Management.

ADMINISTRATION

As mentioned previously, operating a homeowner association is similar to running a business. Policies and procedures need to be established and implemented. Activities need to be documented and records maintained. Contract services and/or staff may need to be hired. The property will require insurance coverage to protect against loss or theft. The area of administration encompasses all these activities.

Policies and Procedures

In many cases, policies and procedures have already been clearly defined in the condominium documents. However, there may be additional ones that are established or existing ones that are revised over time. The following are some typical examples of policies which might be established, codified and implemented in a homeowner association.

Personnel. The Board of Directors often establishes personnel policies, even if the homeowner association has a property manager to carry out the policies.

The principal factors for the Board of Directors to consider in developing a personnel policy include:

- I. job descriptions
 - a)
- II. compensation
 - a)
- III. holidays, sick leave, vacations, and overtime
 - a)
- IV. annual performance evaluation
 - a)
- V. employee grievance procedures
 - a)
- VI. grounds for disciplinary action
 - a)
- VII. grounds for dismissal

A typical policy regarding maintenance might be as follows:

Charges for Repairs to Units and Common Property. The Homeowner Association ordinarily is responsible for handling all repairs to common property, including common area plumbing and common area electrical systems, the roof, doors, windows, and other parts of the basic structure of the building. The Board of Directors should determine who is responsible for the proper operation and maintenance of the electric, water, and sewer lines inside individual flats. The most practical and efficient policy is to place this responsibility with the Homeowner Association, since the main objective is to have the repairs made quickly and properly so that the function of the systems as a whole are not jeopardized.

If repairs to the common property or to mechanical systems inside a unit are required through no fault of the resident, there should be no charge to the individual for repairs by the Homeowner Association. But if the problem is a result of a resident's misuse or neglect, the cost of labor and materials should be charged to that person. This requirement could be specified in the charter. A second example of a policy designed to protect the integrity of the physical plant is described:

Structural Changes in Individual Units. No owner should be allowed to make structural changes or additions to his/her unit without approval of the Board of Directors. All construction in a condominium should be carried out in accordance with applicable laws. Regulation of these activities is not intended to discourage initiative or prevent improvements, but only to prevent damage to the property caused by unsafe or low quality construction.

The Homeowner Association should have the right to regulate construction in the building because the mechanical and structural components of the property are interrelated, and damage to them from construction done in one unit can affect all the other units and the common property as well.

Recordkeeping

The purposes and objectives of recordkeeping have been discussed previously in Section II - Chapter One. This administrative responsibility permeates all aspects of operating a homeowners association.

Insurance

Insurance is not yet widely available in Ukraine, but is a rapidly growing industry and, if not available to an Association now, it soon will be. The purpose of insurance is to protect the condominium from risks of damage to property or injury to persons for which the Homeowner Association might be liable. Insurance risks to be covered by the condominium may vary, but in general the Homeowner Association should obtain property and liability insurance. If bonding or fidelity insurance is available to cover personnel who will be handling Homeowner Association funds, that should be obtained as well.

Although insurance protects the Association in case of losses, it is costly. It will also not cover losses caused by negligence. The concept of "loss prevention" is important. One of the outcomes of regular building inspections will be to identify potential safety hazards. By being aware of what a safety hazard is (i.e., equipment blocking a hallway, missing railings, uneven concrete) and correcting that hazard quickly, the association can prevent losses from occurring which will in turn help to keep the cost of insurance low.

B. MODELS OF PROPERTY MANAGEMENT

There are a variety of models of property management which a Homeowners Association may choose from. Typically, the form of management selected by the Homeowner Association depends on factors such as the number of units in the condominium, the condominium's physical facilities, the services provided to the owners, the skills of the owners and their willingness to spend the time and effort required to operate the condominium, the financial resources available and the availability of private contractors.

Whatever form of management is used by an Homeowner Association, the Board of Directors must monitor and evaluate the work to determine that it is being done correctly. An underlying principle in the operation of an Homeowner Association is that it needs to be operated in a businesslike manner if it is to be successful. For example:

- I. It must operate and manage the condominium's facilities and services economically and efficiently.
 - a)
- II. It must make accurate budget projections taking into account historical expenses, projects planned and inflationary conditions.
 - a)
- III. It must charge an adequate amount for the services provided so that the income will support the present and future costs of managing and operating the property.
 - a)
 - b)
- IV. It must carry out swift and judicious enforcement of its rules and regulations.
 - a)
 - b)
- V. It must maintain professional relationships with many persons other than the owners of the property, including the
 - a) property manager, independent contractors, and the local
 - b) government.
 - c)

Evaluating Management Options

There are a number of options available to an Homeowner Association for managing the condominium properly, each of which has advantages and disadvantages. These options include; self-management, by the owners themselves management by a professional property manager or company, or management by a government entity (such as ZhEK).

Self-Management by Owners. There are a number of advantages to having owners manage the property themselves. The most obvious is the low cost. Others are the opportunity to exercise direct control over decisions and actions, and the likelihood that managers who are also owners and residents of the condominium will be more sensitive to the owners' needs.

The disadvantages are also several. They include the risk of unnecessary costs as a result of inexperienced management, the difficulty of finding and motivating volunteers, the possibility of inadequate performance by owners, and the loss of continuity as a result of turnover. In addition, the burden on volunteers often leads to the introduction of payment to owners. When this happens, especially when the paid members are also Board members, there can be real problems of accountability and oversight. If the Board Chairperson is paid to manage, who has oversight over the chairperson?

Management by a Professional. There are several advantages to hiring a professional property manager or management firm to assist with the operations of a condominium. These include the opportunity to hire personnel with in-depth expertise who tend to be more objective than owners can be, the benefit of using tested administrative procedures to manage the work, and the likelihood of continuity. In addition, the Board can now provide oversight and can hold the manager accountable.

Among the disadvantages are the need to find a person or firm with the proper qualifications and desired staff, the possibility that the firm may be insufficiently interested in the owners' needs and therefore unresponsive, and the likelihood of increased cost.

Management by the Government. In the early stages of operating as a Homeowner Association, many associations choose to continue a management relationship with the government through the ZhEK. These associations may feel that, with all the other changes, for the time being, it makes most sense to keep

the ZhEK. At least the ZhEK are familiar with the physical plant of the building, and have existing relationships with service providers, and city agencies. The disadvantages are more numerous, with poor service the most notable. However, as the Board and members of the Association move ahead, they can make changes later, when they are more comfortable themselves in the roles they are playing.

The following table summarizes some of the key advantages and disadvantages of each method.

Work Options: Advantages and Disadvantages of Each Type

Advantages:

<u>Volunteers</u>	<u>Employees Hired By Board</u>	<u>Private Contractors</u>	<u>ZhEK</u>
Inexpensive.	Low cost option.	More Flexible approach to providing services.	Experienced in building maintenance and management.
Can help to develop a sense of community among owners.	Board has direct control of individual staff members.	Ability to hire specialists for specific tasks.	Has easy access to historical records and information on the property.
Different volunteers can be used for specific tasks.		Create competition, resulting in lower costs.	Has existing relationships with service providers, most city agencies and communal service providers.
Can result in volunteer enhancing his/her skills. (help in employment).		No direct administrative costs.	Board deals with one entity for all services (if hired for overall mgmnt and maintenance).

Disadvantages:

<u>Volunteers</u>	<u>Employees Hired By Board</u>	<u>Private Contractors</u>	<u>ZhEK</u>
Requires intense coordination and follow up.	Requires a high level of Board involvement.	Requires intensive coordination and follow up by Board.	No evidence that ZhEU will be able to respond to standards of quality set by Board.
Participation may be uneven.	Requires intensive record keeping.	Contractors require supervision	Organization is not used to performing in a competitive environment.
Quality and dependability can vary.	Limited flexibility in meeting the changing needs of the condominium.	May be difficult locating competent vendors; time consuming.	May be the most expensive option when considering value to funds spent.
Lack of continuity, high turnover likely.	Employees require ongoing training and supervision.		
Confidential owner information may be compromised.	Board may not have skills, time or experience to direct, supervise and monitor staff members.		
Accountability is difficult if volunteers are also Board members.			

Regardless of whether an Homeowner Association contracts for professional management or handles the management tasks internally, the same concerns should be addressed. The following is a detailed discussion about professional management. However, it is important to note that the key items can and should be applied for all forms of management.

PROFESSIONAL PROPERTY MANAGEMENT

The two most important reasons to hire a professional property manager are:

- (1) to establish continuity in the management of the property, and
- (2) to provide professional expertise and assistance in engineering and financial matters.

Sometimes a building has specific problems, like difficulty in collection of assessments, or complicated projects, like a renovation, that require special expertise or would take up too much of the Board of Directors' time and energy and detract from day-to-day operations. Delegating management to an outside professional may allow the members of the Board of Directors to function more effectively. Also, if there are serious disputes or power struggles between groups of owners, conflict might be minimized by hiring an impartial professional to manage the property.

An Homeowner Association probably will not benefit if it hires professional management only because the owners are too disorganized or indifferent to handle the business of the condominium themselves. In such a case, management would not be sufficiently accountable or properly supervised, or the owners may give up too much control over the operations of their property. A manager can only be as good as the direction and supervision he/she receives from the Homeowner Association. An Homeowner Association cannot give the manager a "blank check" and hope to have a productive relationship--the Homeowner Association must establish and remain in control through its Board.

The final decision about whether to hire a professional manager should be made by the owners at a General Assembly, after receiving the vote of the Board of Directors. If the vote is affirmative, the actual task of hiring and oversight should go to the Board of Directors.

C. CONTRACTING FOR SERVICES

A recurrent responsibility in managing the condominium will be contracting for services. If the Homeowner Association hires a property manager, attorney or auditor it will go through a contracting process. Whenever, a professional is hired to perform maintenance services, the contracting process is used. Since most of the time, the contracting process will relate to the maintenance area, there is a detailed discussion regarding this area in Section II, Chapter Four - Maintenance Management. The following is a brief summary of the key steps in this process.

Contract Administration Process

1. Develop Specifications
2. Solicit Bids
3. Select Contractor
4. Negotiate Contract
5. Execute Contract
6. Monitor Work Quality
7. Dispute Resolution (Arbitration)

Contract administration is a challenging task. Whether the Board contracts with a Bookkeeper, a janitor, a maintenance company or a professional property manager, there is a set of common procedures which are used to select, contract and oversee the work of the contractor. For example, let us look at hiring a property manager.

SELECTING A MANAGER - THE HIRING PROCESS

Selection Committee. Before looking for a manager, the Board of Directors must decide if it will take on this task itself or appoint a special committee. The Board of Directors should keep in mind that selecting a manager is a time-consuming task and the process will benefit if the selection committee has business, financial, and engineering expertise. A special

committee comprised of both some members of the Board of Directors and some other owners may be best.

Job Specifications. First, the selection committee must prepare specifications for the job and write a job description. This requires an in-depth analysis of the management needs of the condominium, and then a determination of which of these services the manager is expected to perform and which services can be efficiently and effectively provided by on-site employees, outside contractors, and the owners themselves. Of course, the Homeowner Association must consider its ability to pay for the desired services.

It is always the job of the Homeowner Association (acting through the Board of Directors) to establish policies for the condominium. The manager's job is to implement these policies in a fair and efficient manner.

The manager supervises other employees of the Homeowner Association, and monitors the work of contractors working for the Homeowner Association. The manager pays bills and keeps the books and records of the Homeowner Association. The manager reports defaults in the owners' financial obligations to the Homeowner Association, and recommends when legal action would be appropriate. (Legal action should not be initiated without the approval of the Board of Directors.)

The manager obtains supplies needed by the Homeowner Association, periodically inspects the condition of the property, establishes and carries out a maintenance schedule, makes or arranges for routine repairs, and makes recommendations regarding major repairs and replacement of building components.

The following is a list of some typical management activities:

Fiscal:

- assessment collection
- delinquency follow-up
- bill approval (up to a predetermined amount) and payment
- payroll accounting for on-site personnel
- financial reports
- tax returns
- budget preparation

reserve analysis (long-range planning)

Administrative:

- executive meeting attendance
- general assembly attendance
- general assembly notice to members
 - vote tabulation (including proxies)
 - transcription of minutes
- records and file maintenance
- new resident orientation
 - contract coordination
 - monthly management status report
- legal and municipality liaison
- insurance liaison
 - recording and processing work orders
 - hiring, supervising and terminating on-site personnel
- general correspondence

Building and Grounds Maintenance:

- janitorial
- minor plumbing repairs
- minor electrical repairs
- painting
- periodic inspections
- liaison with outside contractors
- trash collection
- landscaping and snow removal

Identifying Candidates. Once the job specifications have been prepared, the selection committee can begin to look for candidates. This is usually done by talking to Homeowner Associations in other condominiums, contacting professional management firms in the area, and advertising.

After several suitable candidates have been identified, they each should be invited to submit a proposal or a statement of their qualifications. The Homeowner Association should provide the candidates with a Request for Services to which they should respond. This will assure that the responses can be readily compared against each other since all respondents will be addressing

the same issues in the same format. Included in the request will be a list of references. When checking the references, the selection committee should determine whether the building contacted has had problems similar to theirs, and how the manager performed in a variety of circumstances.

After the selection committee eliminates those who fail to submit a proposal or who appear from their proposal to be unqualified, and those whose references give unsatisfactory reports, the selection committee should interview the remaining candidates.

Interviewing. The interviewers should determine the following:

- I. What is the candidate's specific experience?
- II. Does the candidate have the skills and experience to meet the needs of
- III. this building and Homeowner Association?
- IV. Will the candidate be compatible with the owners and the building?
- V. Will the candidate be available and accessible when needed?
- VI. Can the Homeowner Association afford the cost of hiring this candidate?

Selection. The selection committee should get together to discuss all the information it has obtained and each candidate's strengths and weaknesses. It may ask for a second interview of one or more candidates if the best choice is not clear. The final decision should be made by the

Board of Directors, after receiving the recommendation of the selection committee.

THE MANAGEMENT CONTRACT

Once a property manager or company has accepted the position, the Homeowner Association and the property manager should enter into a management contract. The job specifications are the most important part of the contract.

The management contract is the legal document that determines the relationship between an Homeowner Association and its property manager. It specifies not only what the Homeowner Association is hiring the manager to do, but also the

terms of employment: salary, length of contract, and procedures for termination or resignation. A sample management contract is provided in the Appendix.

Terms of Employment. The management contract should specify how much the manager will be paid, how long the manager will be expected to provide services to the Homeowner Association, under what circumstances the Homeowner Association may terminate the management services, and the conditions under which the manager may terminate the contract. It is a good idea to include a provision that the manager will be warned if performance is inadequate before the manager's employment is terminated.

WORKING WITH THE MANAGER

The key to a successful working relationship between an Homeowner Association and a property manager is effective communication. The Board of Directors should designate a contact person--preferably a member of the Board of Directors--for exchanging information with the property manager. One person in frequent contact is more effective than many persons with one-time or infrequent contact, since multiple contacts may give conflicting instructions and would not have the benefit of information that comes from an ongoing relationship with the property manager.

The property manager should attend meetings of the Board of Directors, to provide a report of management and financial activities since the last meeting and to receive instructions and suggestions on projects and priorities among the manager's responsibilities.

Performance Evaluation. The property manager should perform the job with a high level of efficiency and organization. The property manager should respond promptly to requests for meetings or information, should maintain records (repairs and maintenance, financial, payroll, legal) in an orderly filing system, and report to the Board of Directors regularly on the different areas of management responsibility.

The Board of Directors should tell the manager periodically how well the job is being performed and if improvement is needed.

Solving Problems. If the Board of Directors finds there are areas where the property manager's work is unsatisfactory, it should first make sure the property manager understands the job and its duties. The Board of Directors

should meet to go over the problem that has been identified and the requirements of the management contract. The property manager and the Board of Directors should try to work out a strategy together for solving the problem. This is usually sufficient for correcting routine problems.

If the situation does not improve, however, the Board of Directors should send a warning letter to the property manager, spelling out the problem, how they had agreed to address it, and the facts showing that the problem has not been solved. A time limit should be given for resolving the problem. If the property manager's performance still does not improve, the Board of Directors should terminate the management contract.

Remember: careful selection and good communications are the keys to establishing and maintaining a good relationship, and help prevent the disruption of terminating and replacing a property manager.

A SPECIAL NOTE ON MASTER ASSOCIATIONS

Sometimes cases will arise when several buildings or Homeowner Associations share a common facility or common property. For example, sometimes four buildings form a square with a shared courtyard or playground, or, in a large building, separate Homeowner Associations may be formed for each stairway but the entire building is constructed with one unified roof. There are a number of examples of large cooperatives which are located on scattered sites. These properties are planning to convert to condominiums but require a mechanism for managing their common property which may include large equipment, machinery, vehicles and storage space.

The best mechanism for addressing this problem is the Master Association. There should be a legally enforceable agreement or contract among the parties to establish how they will share management responsibility and the expenses of operating, repairing or replacing a piece of equipment on the property or facility they share. The vehicle is the Master Association. Such a master agreement among multiple Homeowner Associations is intended to facilitate cooperation and avoid conflict when two or more buildings or parts of one building that share a common facility, such as a roof, boiler or central courtyard, storage area or equipment are divided into separate condominiums, each with its own Homeowner Association.

It can be a simple agreement, so long as the following items are included:

- I. the identity and location of each of the Homeowner Associations;
- II. the purposes of the Agreement;
- III. how the Homeowner Associations will be represented in the Master Association for the purpose of carrying out activities relating to the property or subjects of mutual interest;
- I. how the representatives of the Homeowner Associations will operate as members of the Master Association and the scope of their authority; and,
- I. how expenses of activities relating to the common property or subject of mutual interest will be allocated.

SECTION II – CHAPTER THREE

FINANCIAL MANAGEMENT

Successful financial management of the condominium association is its lifeline. A realistic financial plan and budget, along with timely and accurate financial recordkeeping are important to the well-being of the association. Without these elements, there will be no assurances that income will be sufficient to meet expenses or that the projected expenses will accurately reflect the work required to maintain and enhance the property.

Equally important to the types of information collected and utilized, is the overall approach to the oversight of finances. Those responsible for working with financial records and controlling financial decisions, must be beyond reproach in how they handle their responsibilities. This obligation to address financial concerns with total integrity is called a fiduciary responsibility.

This chapter includes the three major components of financial management; fiduciary responsibility and oversight, financial planning and budget preparation and financial recordkeeping (accounting).

I FIDUCIARY RESPONSIBILITIES

Fiduciary responsibility refers to the obligation of the Board Members and others entrusted with financial management tasks to handle those tasks with full integrity at all times. There is both a legal and moral responsibility incumbent upon these individuals. In addition to reliance on the integrity of the individuals involved, there is a specific mechanism used to insure that fiduciary responsibilities are met. This mechanism is called Internal Controls.

Internal Controls

Internal Controls refers to the systems put in place to assure that money is recorded, accounted for and expended in accordance with the requirements of the Condominium Association and relevant laws. Without adequate internal controls, in the best case, innocent and costly errors can be made. In the worst case, individuals can mismanage and mis-spend millions of dollars.

Without internal controls, money can be stolen, service providers can cheat the Association and mistakes can be made which result in inaccurate financial information being provided to the Board and owners. In establishing an internal control system, the Association should try to meet the following objectives:

- 1) safeguard against theft;
- 2) make certain that costs billed and paid for services are correct;
- 3) provide reliable financial information for budgeting and planning
- purposes; and,
- 4) meet legal obligations of the association.

How can the Association best meet these objectives?

- 1) Separate the financial responsibilities so that one person is not responsible for everything.
- 2) Make certain that there is written documentation (i.e., receipts, invoices, deposit records).
- 3) Require written approvals (signatures) for certain expenditures.
- 4) Have the audit committee review financial reports on a regular basis.
- 5) Hire an independent professional auditor to review the financial records and systems on an annual basis.

Although in some cases, it will be difficult to implement a comprehensive system of internal controls because of limited staff and resources, the Association must still insist that all steps be taken to minimize the possibility of errors and dishonesty.

II FINANCIAL PLANNING & BUDGETING

An Homeowner Association budget is a financial plan prepared before each fiscal year begins. It anticipates the cost of operating the association properly during the coming year. The first step in drawing up a budget is to determine the expenditures that must be made during the coming year. Then optional expenditures can be considered, if it appears that surplus income can reasonably be anticipated or that additional income can be generated through fee increases or assessments.

Among all the expenses that an Homeowner Association will have, some can be predicted accurately in advance, while others can only be estimated. Taken together, the budgeted expenses determine how much income the condominium will need to finance its operations during the coming year. This is how the condominium determines the amount of assessments it will need to collect from the owners for that year.

If it is necessary to raise the level of condominium assessments, a well prepared budget will help explain the need for the increase to the owners. Except in the event of a major catastrophe, assessments should not have to be increased during the year if a detailed and reasonably accurate budget has been prepared. The Homeowner Association budget will help each owner budget for their individual expenses and will give all owners greater confidence in the Board of Directors and the management of the Homeowner Association.

A. *THE FISCAL YEAR*

The budget should be prepared before each fiscal year begins. A fiscal year is the period of time upon which the condominium's annual financial statement will be based, which coincides with the calendar year.

It is good policy to prepare the budget two months before the end of the current fiscal year, that is, by the beginning of November. At that time, it will be possible to compare the actual expenses of the first ten months of the current year (January through October) with the budget developed for that year.

B. *PROJECTING EXPENSES*

A wide range of information from many different sources should be used in preparing a budget.

The actual expenditures of the condominium in the current year and previous years will provide the most important measure of how much it costs to operate the condominium. But it is important to remember that some expenses will vary from year to year. It is always safer to budget for some unanticipated problems in the repair and maintenance area.

The rate of inflation can indicate the level of increases to expect for expenses like cleaning supplies and repair work. The local government may indicate increases in water and sewer charges in advance, so that this information can be used in preparing the budget. The experiences of other condominiums and the

findings and recommendations of condominium organizations can be used to back up the budget estimates.

Some expenses can be predicted with greater accuracy than others. Typical expenses include:

- Payroll expenses and fringe benefits for employees.
- Management fees, which can be negotiated in advance.
- Maintenance contracts, such as for elevators.
- Contributions to a capital fund, which should be planned for each year.
- Real estate taxes and water and sewer charges.
- Insurance policy premiums, which are contracted for in advance.
- Debt service on any loans owed by the Homeowner Association.
- Legal fees and any other costs related to a lawsuit.
- Repair and maintenance expenses. These can be based on prior experience and on a careful inspection of the property. If any money is left over because estimates were too high, it can be reallocated to other operating expenses or used to supplement a renovation fund.
- Building supplies, which may vary with change in the marketplace.
- Fuel (oil or gas if its prices are not regulated). Although consumption may stay the same, prices may change.
- Utilities such as water, heat, hot water, electricity.
- Bank charges. These vary, but this will not be a major expense item.
- Administrative costs. These will also depend in part on how much work owners are willing to do to save on the cost of outside services.

x

C. *PROJECTING INCOME*

It is likely that the condominium will have several sources of income that should be projected on the Budget Work Sheet:

- Regular condominium maintenance fees.

x

- Interest income, earned on invested reserves, can be projected with reasonable accuracy depending upon how they are invested and upon changes in interest rates.

x

- Rental or sales proceeds for commercial or residential units owned by the Homeowner Association.

x

- Subsidies received from the municipality [The transfer of subsidies to the Homeowner Association is likely during the transition period].

x

- Any other income.

x

Some types of income cannot be accurately planned for, such as late fees. These should not be depended on, but rather should be treated as a bonus if they are actually collected.

D. TYPES OF BUDGETS

There are two fundamental types of budgets which a condominium association will be working with: operating budgets and capital reserve budgets. The *operating budget* is the budget which describes the routine and ongoing expenses of the condominium. The budgeting process described above is used in developing this operating budget.

The *capital reserve* budget describes the expenses associated with major repairs or replacement of capital items such as elevators, heating systems and roofs. The income for the capital budget may have a number of sources. One source should come indirectly from the regular condominium fees; there is an expense line in the operating budget marked capital reserve. The money allocated for this expense is then transferred from the operating bank account and deposited into a separate capital account. Other sources of income for the capital reserve budget may include special assessments or bank loans.

III CONDOMINIUM BUDGET PREPARATION

There are several key objectives to be met in the preparation of a budget. These include the following.

1. To portray the objectives of the condominium membership in financial terms.
2. To ensure that condominium members understand the sources and uses of income collected and thus are committed to paying their allocated share.
3. To trigger the payment of subsidies to which the condominium is entitled.
4. To provide a standard measure for reporting the results of condominium operations in terms of the stated objectives of the members

There are several stages in developing the budget along with specific steps in each stage:

STAGE 1. ESTABLISHING THE PROCESS OF PREPARING AND APPROVING THE BUDGET

- A. *Who is entitled to make comments on the budget? Who is responsible for approving the budget?*

The membership of the condominium may be different for each condominium.

Example 1. In some condominiums, all the owners may be residents.

Resident Owner	Resident Owner	Resident Owner
Resident Owner	Resident Owner	Resident Owner
Resident Owner	Resident Owner	Resident Owner

Example 2. In others some owners may be residents and others may have tenants in their apartments. In these cases the owners may be individuals (or families) or they may be institutions, such as the municipal government or an enterprise or a bank.

Resident Owner	Resident Owner	Tenant [Enterprise is the Non Resident Owner]
Resident Owner	Resident Owner	Resident Owner
Tenant [City is the Non Resident Owner]	Resident Owner	Resident Owner

Example 3. In others, some owners may also be commercial enterprises which may occupy their commercial units themselves or may lease them to other commercial enterprises.

Resident Owner	Resident Owner	Tenant [Enterprise is the Non Resident Owner]
Resident Owner	Resident Owner	Resident Owner
Commercial Operator [City is the Owner]	Commercial Owner and Operator	Commercial Operator [Private Commercial Owner]

It is **imperative** that in adopting the budget, **ALL** the owners be given an opportunity to suggest priorities for the Association and become invested in the budget.

In Example 1, the owners invited to make suggestions for the budget should be all six resident owners.

In Example 2, the owners invited to make suggestions for the budget should be the four resident owners, the enterprise owner of the residential unit and the municipal (city) owner of the residential unit.

In Example 3, the owners invited to make suggestions for the budget should be the four resident owners, the enterprise owner of the residential unit, the municipal (city) owner of the commercial unit, the commercial unit owner who is also the operator and the private commercial unit owner.

B. Who should prepare the Budget?

Normally the budget is prepared by the manager.

While the Homeowner Association may be managed by a paid member of the Board of Trustees, if it has contracted with a person, a private company or a government organization (e.g., a ZheK) to manage its property, such manager would prepare a financial plan and present it to the Board. If the condominium is managed by the Board volunteers, then a sub-committee of the Board would prepare the budget.

The Board would analyze the proposed budget and after recommended revisions, would then approve that budget.

Condominiums then can choose two approaches to approval.

In one type of condominium the Board is required to present the budget to the annual meeting of owners for approval.

In the other type of condominium the Board has the power to adopt the budget without approval of the owners.

There are arguments for both approaches. If the Manager and the Board have worked hard to understand the results the owners want and are sensitive to their capacity and willingness to pay, then they don't really need to have the Annual Meeting approve the budget. But then also they don't need to fear a discussion of the budget at an annual meeting either. It is important that the Board members understand that they are representatives of the owners and thus if they understand the desires of the owners, they will develop a budget which the owners will support. Thus it is really a question of whether the Board truly represents the owners and understands the needs of the property and the capacity and desire of the owners to meet those needs.

STAGE 2. ESTABLISHING THE OBJECTIVES OF THE CONDOMINIUM

Step 1: Collect Information from the Owners

In order to determine how much money should be spent in the various expense categories, one of the first considerations is to fully understand the objectives and priorities of the condominium association.

In order to determine what the owners want, it is necessary to talk to them and determine what they think they want. This can be done in a meeting but it is preferable to survey them individually. This is because many people are influenced or intimidated by their neighbors.

The survey can be done by the Board members or the Manager or both. The survey can be done by handing out a form which shall be filled out and made anonymous because people will be more honest in their opinions if no-one knows that their name. It can also be done by visiting each owner.

The survey might be structured as in Appendix.

Step 2: Collect Information about the building

In order to make intelligent financial decisions for the condominium association, it is necessary to understand the physical elements of the property, their physical conditions and their useful lives.

It is essential that the elements of the building and grounds and their condition is documented. To do this one must survey the property and thereby establish a baseline. The baseline becomes the measure of what needs to be done and how well it is done. The creation of this Baseline, is described in an attachment for Chapter 4 at the end of the Manual.

Step 3: Estimate the Cost of all Repairs and Replacements

This is a very difficult step. However, if done as best as possible, it will help the manager and the Board make the right financial planning decisions. Clearly the Board has a duty to make repairs and to provide services. From Step 2 above, the Board will prepare an estimate of the cost of correcting the deficiencies of all elements by estimating repair and replacement costs. There are basically two ways to estimate these repair and replacement costs.

1. Estimate the materials, labor skills, labor hours and equipment needed to make the repair or replacement.
2. Secure a quotation from a contractor (a private tradesperson, private company or the ZheK).

Step 4:

Prioritize Physical Work (Repairs and Replacements)

There are three factors which go into setting priorities.

1. From the Owner survey, from the Manager and from the Board there is a list of desired results in some order of importance.
2. From the Baseline survey there is a list of deficiencies which must be corrected in order to obtain the desired results.
3. Based on the cost estimates there is in effect a set of resource constraints on each and every action needed to achieve these desired results.

In setting the budget for the coming year, a Manager and Board need to balance these out.

For example, perhaps the survey established that one of the most important results wanted by the owners is to make sure that the lifts work properly and reliably. The Baseline survey established that there were severe deficiencies in the four lifts, requiring extensive repairs although not requiring replacement. The cost estimate was high but could be afforded, provided that no other repairs were needed that year. Unfortunately, in the survey, people said that they were afraid of thieves because the exterior doors were not secure. The Baseline survey determined that the only cost effective approach to the exterior doors was to replace all eight of them. The Board could decide that it would propose to the members that all four elevators be repaired and that all eight doors be replaced and that fees be increased to pay for both. They might have found from the survey, that people were willing to pay more to have these problems fixed. On the other hand maybe people could not afford more. So the Board could repair two elevators this year and two next year and replace all eight exterior doors this year.

Step 5: Estimate the Cost of all Property Services

As we are aware, there are other expenses of the condominium in addition to repairs. Grounds must be maintained; halls must be cleaned; trash must be removed; etc. From the Baseline survey, the Manager and the Board should be able to plan what is needed and how much it will cost.

1. The first substep is to set out for every element of the property on the Baseline, the type of service needed, its frequency, the equipment needed, the estimated time for each service and the minimum skill required to do the work. The following chart is an example:

Item Category	Type of Service	Frequency	Hours Needed per Service	Equipment Needed	Minimum Skill	Materials Needed
Grounds						
Paved Areas	1. Sweep	Monthly	4	Brooms	No skills	None
	2. Remove snow & ice	When snow depth exceeds 8cm	3	Snow Plow		None
Lighting						
Exterior	Inspect and Replace	Weekly	0.5	None	None	Bulbs
Halls	Inspect and Replace	Daily	0.5	None	None	Bulbs
Elevators						
	1. Inspect	Weekly	0.5	None	None	None
	2. Operational Test	Weekly	0.5	None	None	None
	3. Service	Monthly	4		License	As needed

2. The second substep is to use this chart to estimate service and janitorial costs by either:
 - a. Calculating the cost of materials, labor hours and equipment needed to conduct the services or janitorial functions.

- b. Securing quotations from contractors (private or the ZheK).

As with the repairs and replacement (Steps 3 and 4 above), decisions will need to be made about:

- how frequently these services are needed;
- which can or need to be done by contract; and,
- what is the priority.

For example: Servicing the elevator monthly may be required by government regulation. This is also likely to be a Board requirement to ensure the longest possible life for the elevators and to meet the desire of the owners to have reliable and safe elevator service. On the other hand, volunteers could inspect the lighting and maybe replace the light bulbs when broken.

STAGE 3. DEVELOP A DRAFT BUDGET

The budget represents the objectives and priorities of the condominium association in financial terms.

Step 1: Establish the Budget Categories

A budget is made up of numerous income and expense categories. Many were mentioned in the introductory paragraphs of this section. It is important that in planning that every possible category is considered, so that an item of expense or income is not inadvertently overlooked. Even if the final budget excludes some of the categories, in planning they are kept in as a reminder.

Budget categories are known as "The Chart of Accounts". These are the same categories used in a financial report. So if a Manager or a Board wants to know what was spent on snow removal, there needs to be a budget category for snow removal.

A budget portrays the flow of money.

The condominium budget only reflects money spent by the condominium association and income received by the association. If volunteer owners clean the hallways, the value of that work is not reflected in the budget (although it may be indirectly, since the cleaning expense will be lower than if there was no volunteer labor). If owners pay individually for a service, the cost of that service is not reflected in the condominium budget.

For example, a Financial Plan may show that some of the heating costs of the condominium are paid for by the City. But if that subsidy is **not** paid to the condominium association directly (because the heat is sold to the owners at a reduced cost), the Budget will only show as income what owners pay to the association for heat and will only show as an expense, what is paid by the association to the City for heating.

Whatever is paid to the City by owners directly for heating, does **not** show in the budget.

Whatever the City, Oblast or State pays directly to enterprises to subsidize the cost of heat does **not** show in the budget.

Incorrect Budget:

Budget Income	
Owner condominium fees	10,000,000,000
Owner heating fees for halls and stairs paid to condominium association	1,000,000
City subsidy of heating costs paid to heating plant	30,000,000,000
Budget Expenses	
Paid by condominium association to City for heat	1,000,000
Paid by individual owners to City for heat	15,000,000

Correct Budget:

Budget Income	
Owner condominium fees	10,000,000,000
Owner heating fees for halls and stairs paid to condominium association	1,000,000
Budget Expenses	
Paid by condominium association to City for heat	1,000,000

Or if the heating of the halls and stairs is included in the condominium association assessment, then the following budget would also be correct:

Budget Income	
Owner condominium fees	11,000,000,000
Budget Expenses	
Paid by condominium association to City for heat	1,000,000

**Step 2: Prepare Preliminary Expense Estimates
(including supporting details)**

In drafting the budget, it is important to begin with the projected expenses which reflect the costs of operating the building in a manner that will meet the objectives of the residents. In reviewing the draft, it may become apparent that there must be cutbacks because of constraints (i.e. inability of owners to pay sufficient fees to generate the required income).

The budget needs to provide in writing the assumptions governing the proposed expenses, by category. These assumptions become a summary of all the considerations given to determining the level of expense.

A part of the draft expense budget front page might look like this:

Budget Expenses	
500 Administration	
501 Board Chairperson	10,000,000
502 Book Keeper	5,000,000
503 Office Supplies	1,000,000
600 Taxes	
605 Payroll Taxes	6,000,000

[The numbers are the account numbers which are helpful if the accounting is done by hand but essential if the accounting is done by computer.]

Attached to this budget would be Supporting Documentation, which might look like this:

Item 501 Board Chairperson

The Board Chairperson has a contract with the Board to manage the condominium association. The contract pays her each month. This has been increased by 150% over last year because of inflation.

Item 502 Book Keeper

The Book Keeper has a contract with the Board to record all income and expenses and produce a monthly financial report to the Board and an annual report to the association members. The contract pays her weekly. This is an increase over last year of 150% for inflation and a salary increase of 50%.

Item 503 Office Supplies

Office supplies are estimated as follows:

Paper	500,000	
Envelopes	200,000	
Ledger Cards		100,000
File Folders	100,000	
Pens	50,000	
Miscellaneous		50,000
<u>Total</u>	<u>1,000,000</u>	

- These have been increased over last year by 100% which means that because of inflation, we have actually reduced our planned expenses in this category. We stocked up on ledger cards and file folders last year so we anticipate less purchases this year.

Item 605 Payroll Taxes

The payroll taxes are calculated at 40% on the Board Chairperson and Book Keeper.

Total Payroll	15,000,000
<u>Taxes @ 40%</u>	<u>6,000,000</u>

As you can see, there is not only a decision about what the condominium wants to spend this coming year, there is also an inflation factor to take into account as well.

Step 3: Prepare Projected Income Figures (including supporting details)

As stated above, the first step in budgeting is to estimate expenses. Once these estimates are complete, you will know what income is necessary to meet these expenses. You will then review all other sources of income other than the condominium maintenance fees. This will enable you to see what the condominium fees have to be so that when they are added to the other sources of income, they will equal the proposed expenses.

Similar to the expenses, there needs to be "budget notes" describing the assumptions behind the income amounts. The income side for a draft budget might look as follows (note that initially the maintenance fees are assumed to remain constant):

Budget Income		
100	Condominium Maintenance Fees	
101	Condominium Residential Owners	100,000,000
102	Condominium Commercial Owners	25,000,000
200	Service Fees	
201	Elevator Fees	5,000,000
202	Trash Chute Fees	1,000,000
300	Investment Income	
305	Capital Repair Fund - Bank Interest	10,000,000

Attached to this budget would be supporting documentation, which might look like this:

Item 100 Condominium Maintenance Fees

Maintenance fees for both residential and commercial owners have remained constant.

Item 201 Elevator Service Fees

Elevator fees have been kept the same as last year because we have negotiated a new contract with a private firm and the cost after adjusting for inflation of 150% will be the same.

Item 202 Trash Chute Fees

We are going to close the trash chute because it is too smelly and dangerous. People will bring their trash to the bins in the yard. There are 33 elderly and 5 disabled people who can't carry their rubbish and we will pay a person to pick it up. The income from these people will amount to 2mn roubles.

Item 305 Capital Repair Fund

We have taken our capital repair fund and deposited the funds in the "We Pay More" Credit Union. The interest they pay is 180% compared with 120% from the "We Don't Care" Bank. So this amount is substantially greater than last year.

At this point, decisions will need to be made concerning how much individuals can afford to pay and how projected expenses can be revised. It is time to draft the final budget.

STAGE 4. DEVELOP A FINAL BUDGET

The budget may go through several revisions, before the Board decides to accept and approve the budget and present it and the proposed new fees to the owners.

Finalizing the budget is a complex balancing act. The Board and owners must act in a way that is financially responsible. They cannot create artificially low fees to make it easier for the owners. At the same time, if the fees are so high that owners cannot pay them, the budget must be revised and costs cut.

III FUNDING CAPITAL IMPROVEMENTS

In addition to covering regular, continuous costs of operating the condominium, the owners should anticipate the costs of larger repairs or renovations to the property. Careful planning can help the owners meet these one-time or non-routine expenses without undue hardship.

The first step in planning for these expenses is to determine as accurately as possible what components of the property may need major repairs or replacement, when the need will occur, and what other work might be needed or desirable to improve the property. It can be very difficult to calculate the estimated useful life of all of the systems and equipment of a building, as well as the eventual replacement cost. This is because the number of useful years of a system or piece of equipment is dependent upon a variety of factors: whether or not it was installed correctly, its quality, how it has been maintained, level of normal wear-and-tear, level of vandalism, weather conditions, etc.

Once a property manager has some historical information about a property - its systems and their level of maintenance, it is easier to predict what capital repairs and renovations will be needed during a specified period, such as three to five years. If the rate of inflation is relatively stable, it is possible to estimate costs of capital repairs and replacements over a three to five year period as well, which facilitates the creation of a long-term budget.

By careful advanced planning, a renovation fund can be accumulated over time so that the owners will not have to pay large, unanticipated amounts or special assessments. The fund should generate interest income, and can also be used to obtain credit if a loan becomes necessary.

There are three basic methods for collecting monies to be used to meet capital needs. It is likely that a combination of these methods will be used over time.

1. As part of its operating budget, the condominium includes an expense item marked "Capital Reserve". This money is allocated within the operating budget and then transferred into a separate capital fund. The goal is that regular deposits, reflecting anticipated capital costs will be sufficient over time so that at least a portion of the required funds will be available for items such as a roof replacement.
2. A capital replacement or repair may be required immediately, although there

is not sufficient money in the capital account. The Board may calculate the amount of money required from each owner and issue a special assessment, which will have specified payments terms.

3. The Condominium Association may secure a loan and every owner sign for the loan and agree to pay their share of the loan payments each month. This amount due constitutes a lien on an owner's unit. The amount is paid so that the unit cannot be sold.

V ACCOUNTING (FINANCIAL RECORDKEEPING)

A. ACCOUNTING FOR INCOME AND EXPENSES

To ensure that the condominium is managed as efficiently and economically as possible, it is necessary to keep accurate and complete financial records.

1. Accounting For Income

In most Homeowner Associations, the primary source of income will be the condominium assessments payable by all unit owners in accordance with their beneficial interest in the property. Other sources of cash income might be rental income from common property commercial or residential units, interest earned on Homeowner Association accounts, reimbursements for damage caused to the common property by a resident, any municipal subsidies, and late fees collected from owners who are delinquent in payment of condominium assessments. Each type of income should be assigned an account number.

Income should be posted on a daily basis in an income journal or record book, for which a new page or group of pages should be begun each month.

The following information should be recorded for each assessment payment:

Unit number

Owner's name

Owner's address (if different from unit)

Current assessment charge

Current other charges

Past due assessments

Past due other charges

Balance due (from end of last month)

Payments received

Balance due (current)

Income other than that generated by monthly assessments should be posted in separate columns, with separate account numbers for each category. At the end of the month, the income for the month should be totalled.

2. Accounting For Expenses

All expenses incurred on behalf of the condominium should be accounted for, no matter how small. A written receipt for all expenditures should be obtained and kept in the Homeowner Association's records.

Expenses should be recorded on a daily basis in an expense journal or record book, similar to that kept for income. Each type of expense should have a separate account number. The information recorded should include:

Vendor's name

Entry date (date of receipt of bill)

Date of bill

Period covered (if applicable)

Payment due date

Brief description of service or item

Amount of bill

There should be a section called "pay or hold" on the expense journal. If the bill is to be paid immediately upon receipt, the "pay" designation should be marked. If the bill is not to be paid immediately for any reason, such as lack of available funds, then "hold" should be designated. If the bill is to be paid immediately, then a bank draft should be issued.

As long as the expense shows up on the daily expense journal, it should be posted to the appropriate general ledger account, regardless of whether it is paid immediately or not. This is called **accrual based accounting**. Accrual based accounting recognizes revenue and expenses as they are incurred, not as they are received or paid.

During each month, two separate lists, or schedules, should be kept in connection with expenses: the month-to-date check (payment) register and the schedule of accounts payable. Any time a bill is paid, it should be entered on the check register. The information included should be the date of payment, the vendor's name, date of the bill (or date expense was incurred), a brief description, and the amount paid. If the bill is paid by bank draft, the number of the draft should be included. If the bill is paid by cash, then this should be duly noted.

Any bill that is incurred, received, and not paid should be included in the schedule of accounts payable. This should be a listing of all unpaid bills in chronological order from the date the bill was received. On a weekly basis, this list should be reviewed. As funds are received, bills which appear on the schedule of accounts payable should be paid in order of due date or priority.

B. THE GENERAL LEDGER

The general ledger is the master document in which all financial transactions of the Homeowner Association -- receipts and expenditures -- are recorded. There should be a separate general ledger sheet for each type of income and each type of expense that the Homeowner Association has. The general ledger allows the Homeowner Association to compare its actual income receipts and expense disbursements with its budget on a monthly basis.

For example, every condominium will have general ledger sheets for assessment income. If the building is heated with oil, then there will be a general ledger sheet for fuel oil. There should be a general ledger sheet for each kind of insurance policy carried, for each kind of professional fee paid, and so on.

A new set of general ledger sheets is started every fiscal year. At that time, the initial budget information for the year is entered on the appropriate sheets for each income and expense category. As each month passes and monthly sums are calculated, income and expense subtotals are recorded on the general ledger sheets and new balances of remaining budgeted amounts for each income and expense category are found.

Keeping the general ledger up-to-date lets the Homeowner Association know on a monthly basis whether it is within its budget or over it. If the Homeowner Association finds that it over budget during the fiscal year, it is more likely that will be able to take action to correct the problem in time. The Homeowner Association can determine if it is possible to cut back in an over-budget category of expense in the remaining months of the year in order to stay within the budget for that expense, or look to see if there are other expense categories that are under budget so that funds will be available to cover excess expenditures in the over-budget category.

Cutting back on expenditures in an over-budget category or shifting funds from an under-budget category may not be possible, however, and the Homeowner Association may have to raise additional money for the excess expense--by raising assessments, passing a special assessment, or obtaining some other kind of income. Early knowledge of where the condominium is over budget and by how much will help in finding solutions and minimize the cost to the owners of covering unanticipated expenses.

Sample general ledger sheets for income and expense are provided in the appendix.

C. MONTHLY FINANCIAL REPORTS

Financial reports prepared on a monthly basis help to provide an accurate and up-to-date summary of the condominium's income and expenses and the status of its funds. These reports serve a dual function. They confirm that the information collected and recorded during the month is correct and, equally important, serve as a tool to be used by the Board and the Property Manager to help make decisions regarding the operation and management of the property.

1. The Monthly Summary Report

The Monthly Summary Report will help the Board of Directors or property manager and the owners understand the condominium's financial status -- income, arrears, disbursements, and unpaid bills -- for each month. The Monthly

Summary Report is a cover statement to the rest of the monthly financial statement and lists the total amounts for each major category.

a. Income Summary. From the income journal, the totals of income received (assessments and other) are recorded for lines 1, 2 and 3 of the Monthly Summary Report. There are lines provided where you can identify the sources of other income received, such as late charges or interest. Record the total of lines 1, 2 and 3 on line 4, Total Income Received. This amount should be the same as the total of income received shown on the income journal.

b. Arrears and Adjustments Summary. The total amount of arrears due at the beginning of the month, from the monthly income journal, is recorded on line 5, Beginning Arrears. Similarly, the total ending arrears and adjustments are recorded on lines 6 and 7.

c. Disbursement Summary. Using the expense category amount columns from the expense journal, enter the totals on the Monthly Summary Report, lines 8 through 15. The total of lines 8 through 15 is recorded for Total Disbursements, line 16. This total should be equal to the total on the monthly expense journal.

d. Unpaid Bills Summary. At the end of the month, tabulate the unpaid bills as indicated on the monthly expense journal. Record the total of these bills on line 18. Look at the previous month's Monthly Summary Report to find the Previous Month's Unpaid Bills Total, and record it on line 17.

2. Owners Arrears and Prepayments.

In addition to the above, each monthly statement should list all owners and the status of their accounts. Important information will include;

- Name and Unit of Owner
- Amount of monthly assessment
- Amount owed or prepaid
- Number of months this amount includes
- Status of collection

3. THE UNADJUSTED TRIAL BALANCE

The Unadjusted Trial Balance is the final monthly step in properly maintaining your condominium's records. It also provides a way of cross-checking the income and expense journals and the General Ledgers for Income and Expense.

The Trial Balance will also reduce the time, and therefore the cost, of preparing your condominium's annual financial statement.

The General Ledger is a series of individual accountings of each kind of income and expense. The Trial Balance brings the General Ledger information together onto a single sheet that summarizes your condominium's financial position.

There are two columns where the amounts are recorded. In Column 1 - Closing Balance and Expenses, the amounts for Column 1 on the General Ledger for Expense sheets are recorded, along with the closing balance in your checking account. In Column 2 - Opening Balance and Incomes, the amounts for Column 2 on the General Ledger for Income sheets are recorded, as well as the opening balance in your checking account from the first line of your Cash Disbursement Form for the month.

The Trial Balance is prepared monthly and is considered "unadjusted" until an accountant reviews it at the end of the year. The Trial Balance lists first the opening and closing balances of cash in your condominium's main bank account, and then the income and expenses of your condominium for the month, from the income and expense journals. These items are listed beginning with cash in the bank, continuing through incomes, and including all expenses.

Once you have recorded the month's income and expenses and the bank account balances, add together the amounts in each column and record the totals at the bottom of the form on the Totals line. If your income and expense items and the opening and closing balances are correct, and have been added together correctly, then the totals of these two columns should be equal. This is the balance that the Unadjusted Trial Balance refers to. If the amounts are not equal, review the entries on the forms and ledger sheets and your addition on this as well as on the other forms to find the error.

MONTHLY SUMMARY REPORT (in US dollars)

Condominium: _____ Month of _____, 199____

Income Summary form the Income Ledger

Assessment Income Received	1,782.50
Rental Income Received	620.00
Other Income Received	
Interest Income	120.00
Late Fees	78.00
Special Assessments	327.50
Miscellaneous	35.00
TOTAL INCOME RECEIVED	
2,963.00	

Arrears and Adjustment Summary

Beginning Arrears	947.50
Ending Arrears	957.50
Adjustments	525.00

Disbursement Summary from the Expense Ledger

Insurance	54.00
Professional Fees	378.92
Repairs/Maintenance/Supplies	330.64
Fuel and Utilities	492.58
Assets	50.00
Liabilities	0
Payroll	214.00
Other Expenses	
Bank Charges	9.50
Office Supplies	9.00
TOTAL DISBURSEMENTS	
1,538.64	

Unpaid Bills Summary

Total Previous Month's Unpaid Bills	228.57
Total Current Month's Unpaid Bills	183.43

UNADJUSTED TRIAL BALANCE

UNADJUSTED TRIAL BALANCE				
Condominium: _____		Month of _____, 199____		
	Category	Closing Balance and Expenses	Opening Balance and Income	
	Opening Balance		2,874.53	
	Closing Balance	12,289.82		
1	Assessment Income		1,782.50	1
2	Rental Income		620.00	2
3	Interest Income		120.00	3
4	Late Fees		78.00	4
5	Special Assessments		327.50	5
6	Miscellaneous		35.00	6
7	Liability Insurance	54.00		7
8	Management Fee	128.92		8
9	Accounting Fee	250.00		9
10	Plumbing Repair	48.50		10
11	Painting	34.45		11
12	Caretaker's Salary	200.00		12

D. THE ANNUAL FINANCIAL STATEMENT AND AUDIT

The annual financial statement is a valuable tool for a condominium. The statement will:

Provide owners with a summary of the condominium's finances in the year just past.

Serve as confirmation to the owners of the quality of the financial management of their condominium.

Supply information for the condominium's tax returns.

Help the condominium secure financing from a bank or loan program for improvements to the property.

1. CHOOSING AN ACCOUNTANT

If the condominium hires someone to prepare an annual financial statement and assist with filing tax returns, it will want to find a person with solid general accounting experience who is familiar with accounting for condominiums. If an owner has the necessary skills, the Homeowner Association might want to hire that person. But since a financial statement (and preparation of tax returns) is an important and time-consuming job, the owner should not be expected to work for free.

If the condominium goes outside to hire an accountant, it should shop around for the best combination of fee, experience, and service. The Board of Directors or account auditing committee should speak to a number of different accountants about payment terms, services provided, and experience in dealing with condominiums. Accountants' fees can vary considerably. Make sure to get an estimate before work begins.

2. FACILITATING THE AUDIT

There are a number of steps that a Homeowner Association can take to simplify the audit process and therefore make it less costly. The best way to achieve a savings is by using as little of the accountant's time as possible.

The Homeowner Association can trim the size of the accountant's bill by maintaining its bookkeeping records, journals, and ledgers, and by preparing

monthly Unadjusted Trial Balances. The clearer and more exact these records are, the less time an accountant will have to spend searching for information. This includes the neatness as well as the accuracy of the entries.

Before the accountant arrives, check to see if all the necessary information is in hand or readily available. The accountant may need information about the Homeowner Association, so have the Charter and bylaws ready. The Homeowner Association should be able to provide minutes of meetings as well, if asked. The minutes will clarify the decisions of owners at a general assembly and the Board of Directors at its meetings.

In addition to monthly statements, income and expense journals, and general ledgers, the Homeowner Association will also need:

- Bank statements, with canceled checks and deposit slips.

- Bank account reconciliations.

- Statements or other records of any savings accounts, bonds, investment funds, etc., including information on interest earned.

- Paid invoices for the year, in monthly file folders and arranged in order by check number.

- File folder of unpaid bills.

- All insurance policies.

- Loan documents, if any.

3. CONTENTS OF THE ANNUAL FINANCIAL STATEMENT

The annual financial statement should include a Statement of Income, Profit and Loss, and a Balance Sheet.

The Statement of Income is a summary of the condominium's income and expenses for the year. This statement is derived from the monthly Unadjusted Trial Balances. The statement results in a net profit or net deficit for the year. If a Statement of Income indicates a deficit for the year, it does not mean that the condominium is bankrupt, because the condominium probably started the year with some money in the bank. However, a deficit probably means that the

condominium spent more money than it took in. If this is the case, then the condominium will have to consider reducing expenses or raising more income.

The Balance Sheet details all assets of the condominium and all of the debts of the condominium at that moment. The Balance Sheet is divided into two basic parts: Assets on the left and Liabilities on the right.

The condominium's Assets include equipment, fixtures, and appliances owned by the condominium, money owed to the condominium (receivables) such as assessment arrears, cash in the condominium's bank accounts, deposits with utilities, supply inventory such as fuel oil, and prepayments for expenses like insurance policies.

The condominium's Liabilities include unpaid bills, outstanding loans, and other debts. Taken together, the condominium's Assets will be equal to its Liabilities.

When the annual financial statement is complete, be sure to have the accountant who prepared it explain the various components and what they say about the condominium. This information should be presented to the owners at the annual general assembly.

ANNUAL STATEMENT OF INCOME AND EXPENSES

(in US dollars)

of the _____ Condominium
for the Twelve Months Ending December 31, 199____

INCOME

Assessment Income		26,900
Rental Income	3,312	
Interest Income	567	
Late Fees	132	
TOTAL INCOME	30,911	

EXPENSES

Liability Insurance	1,132
Fire Insurance	2,250
Management Fee	1,800
Accounting Fee	500
Legal Fee	250
Repairs	1,504
Exterminator	275
Supplies	485
Heat	12,426
Electricity	1,358
Salaries	1,394
Real Estate Taxes	1,742
Water and Sewer Charges	653
Depreciation	2,534
TOTAL EXPENSES	28,303

NET EXCESS <DEFICIENCY>	2,608
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SECTION II – CHAPTER FOUR

FACILITIES MAINTENANCE MANAGEMENT

The Purpose of Facilities Maintenance Management

To provide a safe and sanitary living environment for families and to protect the owner's investment in the condominium, it is essential to maintain the condominium's facilities in good condition.

To accomplish this objective it is necessary for an association to provide a mechanism which ensures that the maintenance provided is cost effective in meeting minimum standards for human habitation. Some condominium owners organize themselves voluntarily to deliver maintenance services; some hire staff; and some contract with professional companies. Some will use all three methods.

Facilities Maintenance Management concerns those activities which relate to the maintenance and management of the site, building exteriors, building interiors, service systems and living units of a development. In the case of housing, the building is usually segmented into common areas and living units due to the special consideration which the latter must be given.

Setting Maintenance Objectives

To provide decent, safe and sanitary housing or to provide such services as allows the facility to be used for its intended purpose or whatever other major goal for your maintenance organization, must be translated into specific maintenance objectives which can then be transformed into a maintenance plan. Typical maintenance objectives might be:

- Develop and implement a schedule of preventive maintenance measures to reduce emergencies and other disruptions to routine maintenance operations;
- Evaluate all maintenance requests in terms of ensuring the lowest life-cycle costs;
- Develop a facilities cleaning and housekeeping schedule which will ensure that the facility is attractive, clean and provides a welcome-home look as well as be free of hazardous and unsanitary conditions;
- Operate the utilities for the facility in the most economical way possible to reduce operating costs;
- Maintain a proper supply of materials and equipment on the premises or in a central storeroom or warehouse so that services can be delivered in a timely fashion;

- Provide an easy way of reporting time taken, materials used and any other pertinent information which can ensure that the manager of maintenance can evaluate and recommend necessary changes;
- Identify design improvements which can reduce costs of maintenance and/or improve the building;
- Monitor all maintenance work in a systematic manner so that schedules are kept, costs contained and quality achieved.

Planned Maintenance

Planned Maintenance is the delivery of on-site maintenance services in a cost effective, timely and quality manner.

This can only be accomplished when the services are delivered in a rational manner which requires that maintenance activities:

- be driven by the requirements of the building and site;
- meet regulatory and code requirements;
- be documented;
- be estimated so that costs are controlled;
- be scheduled; and,
- be constantly reviewed for quality.

Under a well structured maintenance program, work orders are generated:

- Through inspections and services derived from a baseline set of requirements of the building and site, utilizing inspections, industry standards and requirements and manufacturer and supplier recommendations;
- Through quality control inspection programs; and,
- Through user requests.

The goal of a fully operational planned maintenance inspection program is that up to 80% or more of all work orders are generated through pre-planning. When a substantial number of work orders are undertaken in response to user maintenance requests which are reporting deficiencies or failures, a maintenance program becomes captive and re-active and it is difficult for resources to be used in a cost effective and timely manner.

The primary objective of a comprehensive preventive maintenance inspection program is to structure the identification of the environmental systems which support the dwelling unit and to determine whether they are free of defects or hazards.

Information obtained through a well designed baseline identification and measurement plan, which generates a regular servicing schedule and a comprehensive inspection program, and resident requests, can be used to assess services and staffing needs for the delivery of maintenance services. Further, the productivity and effectiveness of maintenance personnel and programs can be measured in a more objective and timely manner, and judgments can be made about capital improvement needs at the property.

A baseline is the reality from which plans are derived, experiments designed and experience measured.

When applied to facilities maintenance, we might call it a **BaseLine Identification and Measurement Plan** or BLIMP©. It is a document which presents, represents and identifies the existing components, their condition, existing staff and total operating costs compared with appropriate resources and costs for maintaining housing's physical facilities and forms the basis for a plan to provide maintenance services which are conducted in a cost effective and timely manner meeting quality standards of management and residents.

The BLIMP© rests on the twin premises that any cost effective maintenance program must be based on an accurate identification and quantification of the elements of the facility to be maintained and on a professional development of estimates and schedules by which performance can be measured. All of this must of necessity be in the hands of the staff which supervise maintenance.

Steps to Take in Establishing a Planned Maintenance System

Step 1: Define your Categories of Work

In any profession there is a need to have a common set of terms which are generally accepted by its members. The construction industry and building trades have developed a standard terminology for its work. An association needs to ensure that all its personnel know and use them.

In addition, an association needs to understand the different types of worker it uses and how use differs for these different types. Typical categories are as follows:

Category One: Janitorial/Custodial

Janitorial work includes those activities which have to do with cleaning and appearance such as mopping, sweeping, lawn cutting, trash removal etc.

It will also likely include minor replacement items such as changing light bulbs which are obvious to the employee assigned to janitorial duties.

All janitorial or housekeeping work should be scheduled based on experience and cost/personnel considerations.

A custodian's schedule will be based on the BLIMP© discussed above and below. It will identify the type of activity (e.g., sweeping), the location (e.g., the lobby), the frequency (e.g., weekly on Mondays) and will have a place to record when it was completed, how long it took and (if appropriate) the materials used.

The schedule can be designed as a simple form which is posted or it can be issued in the form of a specific work order. In either case the need is to document that the work was scheduled and assigned and to provide a mechanism for reporting that work was done and what it cost.

Category Two: Inspectional

Typically preventive maintenance is checking on things and how they are working rather than just recommended servicing of equipment. Inspections are designed to find problems which have emerged or which are emerging. For example:

- An open trash chute
- A worn motor fan belt
- Peeling paint
- A loose door hinge

- An elevator not stopping level with the floor
- Solid waste on the grounds
- A pool of oil below a pump

These are what might be called observable conditions. Usually they can be observed, noted and reported by the custodial staff as opposed to utilization of crafts people and supervisors.

Inspectors, as noted in above should be authorized for the level or type of the inspection being conducted. This implies training and testing of skills. In addition these need to be scheduled and assigned.

Beyond observable conditions, there are inspections which involve investigation. For example

- Turning on a light
- Running an elevator
- Testing water for excessive bacteria
- Opening up a ceiling to trace a water leak
- Pressurizing a boiler to observe performance

These are what might be called investigatable conditions. Usually they require an action before they can be noted and reported. In some instances custodial staff can handle these tests, but the more complicated the equipment or the more hidden the condition, the more it is likely that crafts people will conduct the investigation. Often such investigations are triggered by the observed conditions. In addition, many associations will contract this work to specialists.

As with observable conditions inspections, investigative staff need to be trained and such testing needs to be scheduled and assigned.

Inspection programs are developed from the BLIMP© and should consist of the following five basic components.

A. Service System Inspections

The purpose of service and systems inspections is to review or inspect on a regular basis all systems which support the operation of the built environment. Service systems typically cover such items as fire inspection equipment, elevators, mechanical rooms, heating equipment, compactor chutes, roof vents and fans. In short, those "active" elements on a site which make the structure and the site a suitable and habitable living environment for its users and occupants.

Service systems inspections require that a program be developed which includes:

- an inspection procedure;
- site diagrams indicating the location of each service system in a building(s);
- a filing procedure; and,
- an audit protocol.

The inspection program should be quite detailed yet simplistic in design such that it can generally be undertaken by even the lowest skilled maintenance employee or volunteer. Where there are highly technical or potentially dangerous service elements to be inspected, specialized technicians will be required.

One of the major features of this program is that it is developed in such a way that the inspections can be updated by association personnel whenever the system components of a building(s) are updated or changed. In addition to the development of the customized inspection programs training of appropriate maintenance staff is also required for implementation of the service system inspections.

B. Building Inspections

These inspections cover all the elements of the structure which is the responsibility of the association to maintain. These inspections typically cover such items as interior common area facilities, roofs and gutters, stair-towers, masonry walls, floors and coverings, doors, windows and other related elements and spaces dedicated to public or association usage such as meeting rooms. Similar to service systems these inspection programs are customized for each property. In some systems the buildings will be classified into two segments - Building Exteriors and Building Interiors.

C. Site/Grounds Inspections

These inspections cover all the elements of the site which are the responsibility of manager and ultimately the Board of Directors to maintain. These inspections typically cover such items as parking areas, drives, trash storage areas, paths, shrubs, trees, lawns, playgrounds, recreational equipment and other related elements. Similar to service systems these inspection programs are customized for each property.

D. Testing Programs

Some inspections really require testing such as timers, emergency lights etc. So associated with inspections, may be testing to be done by relatively unskilled personnel or in some cases by specially trained personnel or contractors (e.g., for elevators).

E. Living Unit Inspections

There may be instances where the Association has ownership of one or more of the living units in a property. These units will have to be serviced as the common areas are; by the staff of the association, or the Board itself. Inspections should consist of a full inspection of each living unit owned by the Homeowner Association and should be conducted no less than once a year. In the case of units owned and rented out by enterprises, the same recommendations for inspections apply, although unless there is a problem emanating from that unit, the homeowner association may not be able to force such inspections, depending on the documents or the association.

Personnel Needed for Inspections

After training, these inspection programs can be customized and implemented by property personnel including secretarial and custodial staff. With proper monitoring such customizing of building and grounds inspection programs can result in an increased familiarity with the site and inspection requirements at each property. The development and installation costs of these type of inspection programs are somewhat minimal but the "payback" is enormous.

Category Three: Servicing

From experience manufacturers, architects, engineers and facilities maintenance staff learn that many elements of a building can only be sustained over the long term by regular servicing. Consequently, inspections are not the primary mode

for monitoring. Rather there is regularly scheduled maintenance or servicing based on experience.

Typically one finds servicing focused mostly on service systems and equipment as these are the active working elements of a facility and thus the ones which develop wear, faulty performance and failures. Examples are:

- Monthly adjustments of elevators;
- Regular removal and cleaning/replacement of filters in ventilating systems;
- Annual heating plant cleaning and adjustments;

While some associations will provide these services internally, many will turn to companies which specialize in some of the services because of the less than full-time demand for some, because of special licensing requirements and because of the capital costs of specialized servicing equipment.

Whether sub-contracted or not, servicing needs to be scheduled and assigned, just like any other of the planned or preventive maintenance tasks described above.

Service programs are all the regularly scheduled upkeep activities for the facilities and equipment. They are organized around the same categories as the inspections:

A. Housekeeping Services

These are usually provided in the common areas of condominium buildings. Activities typically included are sweeping, dusting, replacing light bulbs, picking up trash, etc.

B. Groundskeeping Services

These services are focused on the grounds. Activities typically would be sweeping, mowing, trimming of shrubs and trees, trash pickup, snow removal, etc.

C. Service Systems Services

These involve the systems which enable the facility to function in an orderly and predictable manner. They would include heating plant cleaning, machine oiling and greasing, elevator testing and adjusting, trash chute cleaning, storm and sanitary sewer cleaning, catch basin cleaning, fire extinguisher filling and replacement, timer adjustments, etc.

D. Cycle Maintenance Services

Somewhat different from regular servicing is cycle maintenance. It recognizes that while service systems can become more prone to failure and inefficient and thus costly operation without regular servicing, facility elements also can deteriorate and result in a reduced life span or in a reduction in the quality of appearance, such as painting the hallways every 3-5 years.

Category Four: Capital Replacement

Finally, all facilities' elements have a finite life which requires that they be replaced when they are no longer providing a cost effective function or when they cease to be conducive to occupant satisfaction. The so called useful functional lives of elements are known from experience and thus a capital replacement plan can be projected. In addition, as our understanding of the interrelationship of people with the built environment is deepened we can plan for design obsolescence. In summary, there are three reasons for capital replacement:

1. It has reached the end of its useful life
2. It is operationally obsolescent
3. It is dysfunctional in design

1. Useful Life

Over years the maintenance industry in general has learned with what frequency we can expect the elements of a building to deteriorate to the point where they will need repair or replacement. This is known as their "useful life".

There are tables published by some organizations (such as R.S. Means in the USA) which serve the design, construction and maintenance industry and in which useful life tables are published. However these are only guides. Of course the tables are useful in that they do establish benchmarks to measure your own

experience. Useful life is a dynamic between construction quality, users and manufacturer's planned useful life. Thus the useful life of a refrigerator used by a single elderly person will likely be substantially longer than that used by a large family.

2. Operational Obsolescence

Those items which are proving more expensive to operate than either new ones which are available or those whose replacement can be justified in a cost-benefit analysis, are termed operationally obsolete.

In cold regions, heating plants spring to mind. When energy costs rise as they have been for many countries over the last two decades, organizations learn of ways to improve energy efficiency, learn of new equipment and most of all learn how to do cost/benefit analyses. Consequently, many heating systems have been replaced which were functioning perfectly well but which were either environmentally unacceptable or operationally more costly to run.

3. Design Obsolescence

These are items which no longer serve the users well and may in fact contribute to impeding their welfare and enjoyment of the facility. There are many examples but the most commonly known today might include the following:

- lead based paint (toxic)
- asbestos (toxic)
- round door knobs in properties populated by elderly owners and residents (too difficult for arthritic conditions)

Category Five: Repairs

The most commonly recognized category of maintenance, is repairs. Essentially it is taking care of items which have failed or which from the inspection program are deficient in quality or operations.

There are several ways in which we learn of items needing repairs. Unfortunately we usually learn of problems from users, when the failure of some element of the facility has become dangerous or intolerable.

The order in which we would ideally want them to be logged into the system is as follows:

1. From Staff Input

Planned Maintenance Inspections.

Observations by staff while walking the property or performing other work, such as cleaning or repairs.

2. From Occupant/User Input

Properly trained and motivated owners or residents can be enormously useful in making observations of problems before they mushroom into larger problems.

3. From Third Party Reports

The least desirable because most typically these come from a building or health inspector from the municipality or government agency and could result in fines on the association.

In addition to documenting requests for repairs, we also need to decide whether a problem should be fixed by repair or by replacement.

In maintaining the property, the owners frequently will have to decide whether to repair or replace something. This is sometimes a purely technical question, but in most cases finances also must be carefully considered. What can the Homeowner Association afford?

If there is constant need for patching the roof and leaks are threatening the structural integrity of the building, for instance, the owners will not only have to pay for service calls, but there is a good chance that the damage to the building could cost more than a major repair job or even replacement of the roof. The owners should determine whether they can scrape together or borrow the cash for a major repair job or a new roof. This may be the better investment of their money.

However, the Homeowner Association may have only enough money to repair the roof, even though it is clear that eventually the roof will have to be replaced.

These choices are not simple. But in making them, an Association needs to have good information on the costs both now and in the future of the various choices.

For tasks that are labor intensive, that is, jobs that cost far more in labor than materials, it often makes sense to replace rather than repair. Even if it costs a bit more at the outset, it will save money in the long run. For instance, if the wood in the window frames is rotted, it would take a carpenter many, many hours to make new pieces to fit the old rotted frame, and the end result would be just a half-new window. For slightly more money, the owners could buy and install a brand-new, completely weather-tight window unit. The new window would be a far better choice.

Plaster work is another labor intensive job. It is often cheaper to tear down an old wall and put up a new one, instead of paying for painstakingly patching plaster, the useful life of which may only be a few more years.

If materials are the largest part of an estimated repair cost, then it probably makes sense to make repairs. But if a relatively simple and inexpensive repair must be done over and over again, it may be cheaper in the long run to spend the money now to replace whatever it is that is breaking so often.

Category Six: Improvements

While most newly formed homeowner associations will be focusing on cleaning up their buildings and grounds and making repairs to items whose maintenance has been neglected for years, there will come a time when owners will want improvements. Making improvements in a condominium usually requires a special vote of the owners. This is because improvements are those additions to a facility which enhance or add to the original. It might be a community room, an elevator, a parking area or whatever. Owners will usually have to pay a special assessment for such an improvement and thus the condominium documents require the Board to get this special vote.

Step 2: Establish the Baseline Conditions of the Condominium

Develop a BLIMP© by inspecting the site, the buildings, the service systems and the living units and noting location, type, quantity and the then current condition of all the elements using the categories defined above and the forms in the appendices.

Each homeowner association property will be different in terms of regular services required, repairs needed and replacements warranted. It is essential therefore that the BaseLine Identification and Measurement Plan (Blimp) be instituted as soon as possible. This survey will not only identify all the elements which will need to be inspected and serviced on a planned basis but also the current conditions which will require repair or replacement.

No particular expertise is needed to conduct most of this survey, although for some of the more technical parts, an expert may be advisable. The most important thing is to be careful and thorough.

At least two people should be present to back each other up and catch items that one person might have missed. They should bring a clipboard with plenty of paper to keep a running list of what they find, and draw pictures of particular problems they encounter, if need be. They will need a flashlight, an ice pick or pocket knife for checking to see if wood is rotten, and a tape measure to help locate a problem exactly when they write it down.

At the end of the Manual, there is a guide to doing a simple inspection to determine the condition of the property. This should be used in conjunction with conducting the baseline survey (BLIMP).

Step 3: Develop Estimates of the Condominium Need for Personnel/Contractors, Materials and Equipment and of Costs

After the survey has been completed and evaluated, a budget for regular inspections and services, repairs and replacement will need to be developed. This is spelled out in more detail in Chapter 3, Financial Management.

From the documented elements and their quantities, the property manager and/or the maintenance supervisor can develop a series of requirements, which will provide a list of staff and/or contractors needed, the materials and equipment needed and a mechanism for establishing the costs:

1. A Skills Requirement Plan [SRP]

How many person hour/days are required by skill type to provide the inspections, testing, servicing and cycle maintenance for each element? Which of these would you hire staff for and which would you look to find in a contractor?

2. An Equipment Requirement Plan [ERP]

What equipment (tools, vehicles etc.) will be required for the workers to be most efficient and thus cost effective? If you use a contractor, it will be their responsibility to provide the needed equipment. This is a factor in determining whether to use staff or contractors.

3. A Materials Requirement Plan [MRP]

What materials (floor cleaner, fertilizer, light bulbs, paint etc.) will be needed to complete the work? Again, if you use a contractor, it is usually their responsibility to provide any and all materials needed.

4. A Budget

These requirement plans can then be translated into costs and provide the base for a new budget or be compared with an existing budget. Adjustments may need to be made. Typically, requirements plans result in budgetary demands in excess of the resources available. To adjust budgets down, priorities must be set on all activities and decisions made based on these established priorities. Thus the baseline plan may call for halls to be swept and wet mopped daily when doing it every other day will not only still leave the halls acceptably clean but also reduce costs.

Step 4: Prioritize and Schedule the Work

Key to the proper and rational scheduling of work will be the system of priorities used to determine the status of a needed repair and/or replacement.

Such a priority system might start with all repairs needed to ensure the health and safety of residents. Second should come repairs which will preserve the building's condition, and prevent deterioration of any of the building's systems. Third, will be improvements and upgrading of the property. Fourth might be the addition of new amenities and improvements. Because it is important to move forward on all fronts, it will be important to accomplish progress on all four priority categories. For example, improving the appearance of the property is important in developing a sense of pride and illustrating to others what condominium ownership can mean. An attachment at the end of the Manual, describes one model for priorities.

Research the manufacturer's recommended inspecting, testing, servicing and useful life schedules and note them down where available. Evaluate the frequency of problems from work orders and other reports and modify the recommended frequencies as appropriate. For example, a supplier might recommend that the schedule for testing access locks to the roof might be monthly but for a building populated mostly be elderly folks, where only maintenance people access the roof, quarterly inspections may do. On the other hand a property with many families with young people might find that monthly checking is required. Frequency of use, type of user and age of element are key factors modifying recommended schedules.

However, most associations are unable to provide the levels of resources to fulfill the ideal plan for inspections, testing, investigation and servicing, along with setting aside sufficient resources for emergencies or failures. We must therefore analyze the impact of changed schedules on the quality of the facilities and modify schedules accordingly. The best way to adjust schedules is to identify probable candidates for less frequent inspections, testing, servicing and cycle maintenance, is to experiment with adjustments and measure the results carefully. Maybe the floor stripping and waxing can be done quarterly instead of monthly and wet mopping be substituted. An experiment may be to reduce it to every two months and if floor conditions are acceptable, then try monthly.

When the inspectors have completed the survey—and it may take a few weeks to do so -- the Board of Directors or maintenance and repair committee should meet to review the findings. The point of the meeting is to figure out repair priorities and make up a preliminary action list.

Step 5: Establish a Work Documentation System

As indicated above it is important that a manager or board implement a work documentation system which covers all work performed by the maintenance personnel. Work to be done must be documented before it is issued. The activity of staff and contractors must be documented to monitor costs and schedules after the work is completed.

This means:

- work schedules generated from the BLIMP© ;
- work orders generated through inspections and services;

- work orders generated through resident requests;
- work orders generated through quality control; and,
- other activities generated such as meetings, training etc.

This requires that a complete work documentation system be developed in conjunction with workable procedures for the association. This is a critical effort, which involves the review of current forms and procedures and recommendations for their modification to incorporate planned maintenance elements. Note that schedules for housekeepers etc., should be planned so that they can be used to do cost estimating and accounting along with work orders.

Procedures should be written and should address such issues as:

- ¥ Who receives work requisitions or requests?
- ¥ Who estimates the skills, materials and equipment required?
- ¥ Who applies the priority to the work request?
- ¥ Who schedules and assigns the work?
- ¥ What format will the work order be issued in (paper, oral, etc.)?
- ¥ What reporting is required from the recipient of the work order?
- ¥ Who signs off that the work has been completed and completed satisfactorily?

Step 6: Assignment of Work and Organizing for Maintenance Performance

It seems obvious that planned work should be done, but the method of assignment requires careful planning and thought. One of the critical elements is to document that the work was issued, to whom and when. The purpose of this is to be able to monitor the work schedule, establish the final costs of the work and analyze the entire process in order to make changes to schedules, assignments and budgets. This requires not only the mere documentation of work orders but also a careful plan of what information should be documented.

The other major issue concerns the use of staff or contractors. The foundation of this decision is whether it is cost effective or not. Typically, employing your own staff is preferred when there is sufficient work to justify a full-time person, when the technical skills required do not require a “team” of people, when the technical nature of the job does not require special equipment and tools and when there is someone who can supervise the staff. The larger the condominium the more likely it is that the work load will justify such full-time staff. However, there can be other factors to come into play. Perhaps there are only a limited number of contractors available and the response time is not satisfactory. Maybe the work quality of a lower priced contractor alternative is not acceptable.

When using contractors for regularly scheduled work or for special jobs, the condominium will need contract administration skills. The contract process is discussed more fully below.

The Staff Maintenance Model

Developing a maintenance organization for your condominium is dependent upon a clear statement of objectives, which in turn are dependent upon the nature of the facilities, the profile of the users or occupants and the nature of the homeowner association . As noted above, goals might include:

- ¥ Establishing a clean and healthy environment.
- ¥ Providing services which the lease and the law requires.
- ¥ Providing the minimum necessary to meet code and regulatory requirements.
- ¥ Providing an environment whereby the residents are enabled to function without concern about the physical conditions.

The owners and residents living in the building should be considered in terms of how they might interact with or impinge upon the physical facilities. For example, if your population is mostly elderly then there can be significant consequences in terms of the importance of an operating elevator or easy to use door knobs

Each of these “user” or resident factors has consequences for your organization and its staffing approach.

An organizational chart for any maintenance organization is helpful. The difference between small, intermediate and large organizations is the size and use of 'in-house' staff and third party contracts. These charts can be further refined by elaboration of the details.

When a Homeowner Association or a Board of Directors decide to hire staff, they will need to go through a careful process of selection and contracting.

The position might be a part time or a full time position, depending on the needs and the financial resources of the Homeowner Association. This will be defined during the process of completing the BLIMP (above).

The first task is to develop a job description. Job descriptions form several purposes but are often (unwisely) glossed over hurriedly.

Firstly, they help an administrator or an organization articulate carefully where a job fits into the organization.

Secondly, they set terms and conditions of the job or what the organizational expectations are.

Thirdly, they enable a prospective employee to understand what the baseline employment conditions are and by comparison with other job descriptions the employee can learn what would be required of her or him to move up in the organization.

The process of hiring itself, is a matter of attracting good candidates through advertising, through word of mouth etc. The interviewing and hiring process needs to be handled professionally. The mere fact that a prospective candidate is the Chair's brother or that the person is desperately in need of a job is not a good enough reason for hiring. The good of the whole association is the objective, and the ability to meet the demands spelled out in the job description is the prime consideration.

The Homeowner Association should have a contract with the person being hired which spells out such things as the person's duties and compensation.

BUT JOB DESCRIPTIONS WITHOUT MEASURABLE GOALS ARE NOT SUFFICIENT.

An employee has to have personal goals - we recommend they be set at six month intervals - because the general job description has to be translated into day to day work which can be measured. Such measurement is really the key to personnel evaluations which work.

Thus a Janitor may have the personal goals of:

- Completing all scheduled cleaning on time
- Completing all inspections on time
- Undertaking and completing satisfactorily all assigned work orders

and in addition may undertake some challenge goals which if met in part or in whole can result in monetary rewards or career advancement such as:

- Completing an academic or training course
- Learning how to flush the boiler
- Reducing the time taken to complete scheduled cleaning

In conducting a performance appraisal it is important that

1. The appraisal be done on schedule.

Nothing demoralizes people more than to have to fight for a review.

2. The appraisal be specific about the tasks to be evaluated.

Very general appraisals don't help a person to focus on skill areas which need to be improved.

3. The standards being used should be explicit

Substituting personal biases for objective and organizationally acceptable standards only undermines the credibility of evaluations.

4. The rewards or sanctions must be clear AT THE TIME the goals are set. Knowing what will occur if one meets, exceeds or fails expectations is essential for motivating someone to perform.

Another key point to keep in mind when organizing for maintenance is to ensure that staff are constantly being moved along the craft track.

From Apprentice

To Journeyman

To Master

As noted above, it is necessary to motivate staff, provide 'peer' leadership and training (known traditionally as apprenticeship) and create opportunities for educational and skill improvements.

Even bringing together part-time janitors from different properties or associations for training and mutual discussions can provide inspiration and real advancement in skills.

Supervision is an important training topic and is quite often forgotten in maintenance. Typically seniority is the basis for appointing someone a supervisor. However there is no guarantee that years on the job or even superior craftsmanship will produce good supervisors. Supervision calls on very different skills and many groups rue the day they lost a Master Plumber by turning her into an Apprentice Supervisor!

A Special Note Volunteers and Others

Managers of condominium maintenance organizations may have two types of volunteers to call upon:

1. Owners
2. Board of Director members

Managers need to think of creative ways of involving them in the management of the building and grounds. Residents can help with painting, trash removal, sweeping, inspections security and other responsibilities. In the case where residents may be facing unemployment, job opportunities within the maintenance organization can improve family income and family skills and can provide an opportunity for the family which will in turn benefit the association as a whole. Resident organization committees can also be useful in establishing peer pressure as well as generating sound ideas. One should note that in a condominium, the use of residents becomes more difficult if some owners are not willing to volunteer their services. Before long, volunteers may ask for payment by owners not volunteering.

The Contract Maintenance Model

When making some types of repairs or renovations, it is often necessary to contract with an expert to do the work. Sometimes it is advisable to hire a professional engineer or architect to help plan the work as well.

HIRING AN ARCHITECT OR ENGINEER

Hiring an architect or engineer may be advantageous or even necessary to assist with major repairs or renovations. First, a Homeowner Association might hire an engineer or architect to inspect the building to determine if a problem exists. This is recommended particularly in cases where there may be structural problems.

Second, a Homeowner Association might hire an architect or engineer to prepare a scope of work, specifications, and/or drawings which describe in detail the work to be done. Certain types of jobs may require an architect to file drawings with the local government before work can even begin.

Finally, a Homeowner Association may want to hire an architect or engineer to supervise the work as it is being done, to make periodic inspections to ensure that the contractor is performing adequately, and to let the Board of Directors or property manager know when a scheduled payment should be made.

HIRING A CONTRACTOR

Many people worry when they are confronted with having to hire a contractor. They believe that an unscrupulous contractor may take their money and run--leaving a half-finished job or worse. Part of this concern comes from being poorly prepared.

Good contractors exist and will become more prevalent over time. The trick is finding one, negotiating a reasonable price for the job that is needed, defining precisely what that job entails, and then making certain that the end result matches the original expectation.

For any job too complex or costly to be done by the owners themselves or by a handyman, the Homeowner Association will probably want to contract with a building trades professional, a contractor specializing in whatever work needs to be done: electrical work, plumbing, heating system repairs, masonry construction and repair, roofing, ironwork, or carpentry. The property manager or Board of Directors should try to hire a contractor whose principal business is

in the field in which the help is needed. If there is no property manager, the Board of Directors should begin looking for a contractor by designating a knowledgeable person to call around to other buildings where similar work has been done, and ask for recommendations. If a contractor is hired without getting a recommendation, the Board of Directors or the property manager should ask the contractor for references and check the references carefully.

WRITING A SCOPE OF WORK

The first step in dealing with contractors is knowing exactly what work must be done. When this description is put into writing, it serves as what is known as a "scope of work" or "specifications": a formal job description on which a contractor can make a bid. The scope of work or specifications then become part of the contract documents, legally tying the contractor to a certain performance standard and to completing the work described.

A scope of work includes a general description of the job, materials to be used, guarantees, permits, and so forth. Specifications may go beyond this, spelling out in great detail the exact materials and method required, leaving nothing to the imagination or discretion of the contractor. While not always necessary, specifications are recommended for complex jobs where very precise instructions are required.

Specifications generally require the services of a professional architect, engineer, or construction manager. A property manager may be able to write a scope of work for basic jobs.

OBTAINING WRITTEN BIDS

When the written scope of work has been completed, the Homeowner Association is ready to take bids on the job. There should be a minimum of three different contractors bidding on the job, if possible. Most contractors will tend to take a job more seriously if they see that the owners know what they are doing. Contractors will often give a better (lower) bid if they know the owners are obtaining bids from more than one contractor. The owners should ask for a written estimate, desired payment terms, and references.

Payment terms will vary from contractor to contractor, but it is normal to pay 20 – 30% up front, for purchase of initial materials. Under no circumstances should the owners pay 100% up front. They should pay the balance of the account at specified points during the job, and should withhold 10% as a retainer until after the job is finished and the owners are convinced that it has been properly done.

A new roof may look just dandy until it rains. Having retained a small balance will give the owners some leverage to get the contractor back for further work, if it is needed. It is common to hold a retainer for one or two weeks. Longer would be unfair to the contractor (unless defects are discovered in the work). But even that is not always enough. Unfortunately, a lot of contractors would rather risk their reputations than re-do a job.

CHECKING REFERENCES

The property manager should call a contractor's past clients. If at all possible, the property manager should visit the sites of former jobs, to see firsthand what has been done and how. He should inquire if the overall quality of work and materials met the client's standards. Was the work completed according to the specified schedule? What sort of work habits did the contractor or crew display--did they come to the job for a few hours one day, then promise to show up the next day, and not show for the rest of the week? Did they leave a mess behind them, or a clean job site?

What the owners should be looking for in a contractor's references is some assurance that the person they hire will be conscientious in all aspects of his or her work. They should look carefully. It can make the difference between a good experience and a miserable one.

COMPARING BIDS

After at least three bids have been received, the property manager will want to compare them and choose one to recommend to the owners or the Board of Directors. The owners should not simply pick the lowest bid--though it may look cheaper on paper, it is by no means always the best choice. Are the materials and work specified of the same quality as the other bids? What about the time and schedule for the job? How do the references stand up?

If the low bid can withstand such careful scrutiny, then it is all right to go with it. But if the contractor who has the best references and has done the best job of preparing his or her bid--specifying exact materials to be used, for instance, rather than simply general types-- is only a little more expensive than the others, then it may be well worthwhile to hire that firm.

ENTERING INTO A CONTRACT

There are four basic elements to any contract:

- the action—what is to be done (the scope of work or specifications)
- the payment
- the time of completion, and
- the signatures.

In addition to the amount of payment, a schedule of payment, tied to the work completed, should be spelled out. Include a 10% retainer, to be held for a specified period after the job is completed, to give the owners or their representative a chance to inspect the work thoroughly before making the final payment. Some contracts include a penalty if the date of completion is not met.

The owners may also want to include some general conditions such as when the work can be performed, access to living units, when systems like electricity or water may be shut off, and when they must be started again. Finally, the contract should be signed by both the contractor and a representative of the condominium. A copy should be retained by both parties.

For a simple job, the contractor's proposal can serve as the contract, instead of preparing a separate contract. If the owners are satisfied with the proposal as written, then they can simply sign it, retain a copy and return the original to the contractor. If there are problems with the proposal, the owners can ask the contractor to submit a new one with specific agreed-upon changes.

Usually, the owners will want to draw up a contract to ensure that it includes everything they want. This contract may be their only legal protection in the event that problems arise.

SUPERVISING THE WORK

It is important that a representative of the Homeowner Association be delegated to supervise the contractor's work. Supervision, for the most part, is simply keeping track of the progress of the job. This way, the owners can meet problems as they occur, rather than wait until the end of a job when work must be redone or the contractor has already been paid. Money is the greatest leverage in getting a contractor to perform.

When the job is completed, the same representative who has been supervising the job should examine the work to make sure it meets the standards specified in the contract. If the owners have any doubts, they may want to ask another professional to come in and do an inspection before they pay the final 10% retainer on the contractor's fee.

Step 7: Supplies, Inventory and Procurement

An effective maintenance system which relies on staff and/or volunteers for some or all of the maintenance activities, will require that there be proper materials and equipment available when needed, at the lowest feasible cost. This can be simple or complex depending upon the scope of maintenance activities and the size of the facilities. At the very least it might require a locked storeroom where sufficient materials, supplies, and tools are kept on hand so that maintenance personnel can promptly find needed items and where a record of issued materials may be kept.

The baseline plan should have established what materials will be needed and what of those should be stored on site either because they are used so frequently or because the lead time in purchasing them is greater than the priority defined and recommended time for making the type of repair which requires these materials.

Procurement is a challenging task. The quality of the materials to be purchased can and will affect the longevity of the repair and its lifetime cost. Low cost and poor quality is not necessarily better than high cost and superior quality. The time it takes a supplier to get the materials to the condominium is a critical factor. Long delays can allow a minor repair to escalate into a major job. People without a working lift for days or weeks just because a small and inexpensive part is not available, have a right to be angry. Shopping around can secure better prices, higher quality and more timely delivery.

While the rules and procedures recommended for the purchase of services from contractors may seem too elaborate and complicated for supplies, they are still applicable and worth considering.

Step 8: Monitoring and Quality Control of Work for Staff and Contractors

Once the work is assigned, it must be monitored to verify that the schedule is in fact being adhered to. In the case of in-house staff, monitoring is relatively simple, in that usually a status report is given by each worker at the end of the day on work completed and work not completed. This in turn is supplemented by spot checks by the supervisor.

In the case of contractors, a slightly different procedure is required. Contractors need to check in with a supervisor upon arrival at a site and need to check in with them again upon leaving the site and the supervisor at that time needs to sign and accept that the work was done and done satisfactorily. This in turn means that the supervisor will need to inspect the services or supplies delivered and confirm the quantity and quality. Contract administration is discussed more fully below.

In fact that same procedure should be followed for larger associations or groups of associations where centralized services are delivered to sites and where they are perceived for the most part to be somewhat similar to contractors.

Maintaining a level of quality focuses on two elements - the quality of the materials and the quality of the workmanship.

The quality of the materials is monitored by careful analysis of the data for repairs and replacement and thus a determination of the life cycle cost of the materials and equipment. This also can be supplemented by the opinions of the workers. A cautionary note is that the life cycle costs consist of the capital and the operating costs and thus a shorter replacement cycle may be more cost effective for some items because the operating (utilities, servicing and repairs) costs are less.

The quality of the workmanship is monitored not only by the frequency of "call-backs" to fix the problem again but by the actual inspection of the work by supervisors, while in progress and when it is complete. Either through a statistically valid sampling method or by a seeming pattern of "call-backs" or by both, a supervisor will make inspections and determine that the quality of the work is acceptable. In some cases a supervisor may not have the skills to make such judgments and will have to assign another qualified person for those quality control inspections.

In the case of contractors, a Condominium Property Manager must become involved in Contract Administration. This is discussed above and more fully in the appendix.

The contract administrator can be the Property Manager, the Chair of the Board, a designated member of the Board or owners or even someone hired specifically for that contract. If the person or organization is hired to be the owner's representative, then there will need to be someone from the Board who acts as the contract administrator of that person or organization's contract.

Step 9: Information Analysis and Plan Revisions

After a cycle of work is completed the information gathered during that cycle needs to be analyzed in order to determine the costs and the quality. By careful analysis, a supervisor can make a judgment of whether the schedule of work is too frequent or too infrequent; whether the quality is acceptable or not; whether the productivity of the work force is sufficient or not; whether the actual costs versus the budget are on target; whether there are trends over time which require replacement of facilities elements and equipment or will have impacts on staffing ratios and budgets; and generally whether there are patterns which the data reveal which indicate that issues must be addressed about the maintenance operation.

Step 10: Communication

There should be periodic conferences between the Board of Directors, the property manager and maintenance personnel to discuss maintenance standards and future plans, and to ascertain whether current work is progressing as planned.

Attachment A:

BLIMP Definition

BASELINE IDENTIFICATION AND MAINTENANCE PROGRAM [BLIMP®]

The BLIMP® rests on the twin premises that any cost effective maintenance program must be based on an accurate identification and quantification of the elements of the facility to be maintained and on a professional development of estimates and schedules by which performance can be measured. All of this must of necessity be in the hands of the staff which supervise maintenance.

A Baseline is a document which presents, represents and identifies the existing components, their condition, existing staff and total operating costs compared with appropriate resources and costs for maintaining housing's physical facilities.

THE PURPOSES OF THE BLIMP®

The BaseLine Identification and Measurement Plan is an accurately developed and comprehensive baseline which serves to assure both management and users that all maintenance work is conducted in an efficient, timely, cost effective way and meets written quality standards established by law, regulation and resolution.

The BLIMP® has at least seven major uses. It can be utilized to:

1. **Establish** the type and frequency of inspections and tests necessary to monitor housing's physical facilities and identify deficiencies.

2. **Measure** cost effectiveness between existing operations and proposed reorganization and changes in staffing, materials, equipment, supplies and other resources, which are expended in the maintenance of a facility's grounds (including building exteriors), building interior common areas (including public and administrative space), service systems and living units - i.e., housing's physical facilities.
3. **Ensure** the timeliness, efficiency, quality and cost effectiveness of the delivery of all required and requested maintenance services.
4. **Identify** specifically which service repairs and replacements may be most cost effectively and efficiently provided by contracted services or by in-house staff.
5. **Develop** a viable work plan for the timely and cost effective provision and procurement of staff, materials, equipment and services.
6. **Formulate** a very accurate operating budget which includes a detailed personnel work assignment plan.
7. **Compose** succinct and appropriate job descriptions for all supervisory (leadership) and line (skilled and unskilled) maintenance personnel.

The Approach to Implementing Baseline into Maintenance Operations

The approach is to combine a training program with a maintenance development program. Essentially, we take all supervisors of maintenance both direct and indirect including the senior leadership of the association, through a series of training modules. These are designed to train staff in a common set of building terminology, maintenance procedures and standards for maintenance. In addition all staff develop a common approach to developing a work plan and budgets for personnel, materials, equipment and contracts. Most importantly, an actual work plan replete with personnel estimates, schedules, maintenance requirements and equipment needs is developed as a result of the training.

As can be seen this approach is not only the usual consultant approach which is to collect data, conduct an analysis and make recommendations to the association and then have it implement these along with any appropriate training. In addition to those consultant efforts which lend themselves to this approach, we also train staff to develop all this data collection and analysis in

a teaming arrangement with us. This way we can be sure that staff own the final products and that they have the skills to review progress and make adjustments to the work plans when we have left.

STEPS IN IMPLEMENTING A BLIMP®

A Board member or any person assigned to be the maintenance supervisor of an association, needs to conduct and implement a BLIMP® so that the specific day to day activities of maintenance can be planned, measured and modified and a budget developed. The plan needs to be at a minimum 12 months in duration but also needs to be broken down into 30 day or monthly segments. The plan must define

- ¥ procedures for inspections and tests used to determine facility deficiencies
- ¥ staffing needs by building and by job category
- ¥ materials needs by building
- ¥ equipment needs by development
- ¥ contracted services needs from third party or outside contractors
- ¥ the proposed schedule for all but unknown or unanticipated service requests
- ¥ the proposed review or evaluation plan for determining quality, timeliness, efficiency and cost effectiveness

STEP 1

Develop the BLIMP® for the major categories of housing's physical facilities using the various BLIMP® forms for Groundskeeping, Housekeeping, Service Systems, Living Units and the Work Plan for Inspections. This consists of:

- ¥ Identifying all elements, their type their quantities and their condition for the following major categories:
 - Grounds (including improvements to the grounds such as paved roads, playgrounds, furniture etc.)
 - Building exteriors (including roofs, walls, windows, doors and foundations)

- Building interior common areas(including public, administrative spaces and other common areas such as stairwells, basements etc.)
- Service Systems (Including lighting, signage, plumbing, HVAC , elevators, fire protection etc.)
- Living Units
- Commercial Units

¥ Identifying what inspections (including testings) and services are needed and their frequency

¥ Identifying the type of staff skill needed (including third party contracted services) , the equipment required and the materials anticipated

¥ Developing a cost estimate for all the above

STEP 2

Develop the BLIMP[©] for projected vacancies (if relevant) and all unanticipated work including emergencies by undertaking an analysis for at least the last year of

¥ moveouts and moveins and the scope of work required on average for unit turnover, using the Unit Turnover Analysis Form. This needs to be based on at least 10 but no more than 15 unit renovations which have been scoped and costed in detail.

¥ work orders for all emergencies and deficiencies reported including incomplete work orders using the BLIMP[©] Work Order Analysis Form.

STEP 3

Identify all outstanding deficiencies, categorize in terms of priority and determine a schedule and cost for correcting them and sort into two categories

¥ ordinary maintenance items (to be completed within one year)

¥ capital replacement items

STEP 4

Consolidate all information from steps 1,2 and 3 (i.e., scheduled inspections, scheduled testings, scheduled services, projected unit turnover work requirements and projected emergency and deficiency corrective work requirements), into The Labor and Materials Estimate for each building. Hourly wage rates should conform to the following formula:

1. Basic Gross Hourly Wage/Salary Rate
2. Multiply by Benefits and Taxes Rate (From all holidays, Social Security, Unemployment, Pensions, Vacations etc.)
3. Multiply by Labor Overhead Rate (All staff which support the labor base directly such as non-working supervisors, secretaries etc.)
4. Multiply by General and Administrative Rate (All unallocated costs from the various support services which are not specifically charged to projects such as data processing, office rent, telephones, Board of Directors etc.)
5. = Labor Rate to calculate true costs for each hour by each category of labor

STEP 5

Complete the Work Plan Summary by consolidating all the Labor and Materials estimates for each building into one for the whole development.

STEP 6

Review the budget. If too high adjust schedules, or work items or labor costs (e.g., use volunteers) until budget is acceptable. If necessary secure bids from other contractors to reduce costs.

STEP 7

Complete a Weekly Work Schedule by Building by listing the categories shown on the Work Plan Summary and filling in the appropriate building number in the correct week as defined in the Labor and Materials Estimate and constrained by staffing assignment abilities as listed in the weeks column of the Work Plan Summary.

STEP 8

Develop a 30 Day Implementation Schedule by Labor Category or Type and/or by Contractor, by Day, by Building and by Apartment Number. [Note: That the Start Date cannot be established until the Staffing Plan, the Materials Requirement Plan, the Equipment Requirements Plan and the Contracted Services Plan have been completed, submitted and approved and the required resources have been made available. Then and only then the date is established and filled in on the form].

STEP 9

Appointments for work in the Living Units are to be made by the supervisor/s in accordance with the 30 Day Implementation Schedule.

STEP 10

Complete the Quality Control Plan for measuring the timeliness, quality, efficiency and cost effectiveness and for updating the BLIMP[©].

STEP 11

Supervisors are to update the 30 Day Implementation Schedule every two weeks and to revise the BLIMP® every quarter.

Attachment B:

BLIMP Forms

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]**Groundskeeping Facility Elements - Sample List of Items**

	ELEMENTS	QUANTITY	INSPECTION OR SERVICE [I OR S]	CURRENT CONDITION [Repair OR Capital Replace]	LOCATION ID [From Attached Site Plan]
1.	AREAWAY				
2.	ADDRESS				
3.	BENCHES				
4.	DRYING YARD				
5.	FENCING				
6.	FLOWER BEDS				
7.	HEDGES				
8.	TREES				
9.	SHRUBS				
10.	LAWNS				
11.	PARKING LOT				
12.	DRIVEWAYS				
13.	RAILINGS				
14.	SIGNS				
15.	YARDS				
16.	VENTS				
17.	MAILBOXES				
18.	FLAGPOLE				
19.	GARAGES				
20.	UTILITY SHEDS				
21.	TRASH BINS				
22.	SIDEWALKS				

23.					
24.					

SURVEYED BY: _____ **DATE:** ____/____/____
BUILDING/ESTATE NAME: _____
ADDRESS: _____

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]

Building Exterior Facility Elements - Sample List of Items

	ELEMENTS	QUANTITY	INSPECTION OR SERVICE [I OR S]	CURRENT CONDITION [Repair OR Capital Replace]	LOCATION ID [From Attached Site Plan]
1.	STOOPS				
2.	EXTERIOR STAIRS				
3.	SOFFITS				
4.	FOUNDATIONS				
5.	WALLS				
6.	EXTERIOR WINDOWS				
7.	EXTERIOR DOORS				
8.	ROOF				
9.	FLASHING				
10.	PENTHOUSE/S				
11.	PARAPETS				
12.	DOWNSPOUTS				
13.	GUTTERS				
14.					
15.					
16.					
17.					
18.					
19.					
20.					
21.					
22.					

23.					
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SURVEYED BY: _____ DATE: ____/____/____
BUILDING/ESTATE NAME: _____
ADDRESS: _____

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]**Building Interior Facility Elements - Sample List of Items**

	ELEMENTS	QUANTITY	INSPECTION OR SERVICE [I OR S]	CURRENT CONDITION [Repair OR Capital Replace]	LOCATION ID [From Attached Site Plan]
1.	FOYER FLOOR				
2.	FOYER FURNITURE				
3.	ENTRY DOORS				
4.	HALLWAY FLOORS				
5.	HALLWAY WALLS				
6.	HALLWAY CEILINGS				
7.	HALLWAY DOORS				
8.	HALLWAY WINDOWS				
9.	STAIRWELL STEPS				
10.	STAIRWELL WALLS				
11.	STAIRWELL CEILINGS				
12.	STAIRWELL WINDOWS				
13.	TRASH CHUTE ROOMS				
14.	STORAGE ROOMS				
15.	MAILBOXES				
16.	BASEMENT FLOORS				
17.	BASEMENT WALLS				
18.	BASEMENT CEILINGS				
19.	BASEMENT WINDOWS				
20.	BASEMENT STORAGE AREAS				
21.	ELEVATOR/S CAB FLOOR				
22.	ELEVATOR/S CAB WALLS				
23.	ELEVATOR/S CAB CEILING				

24.					
25.					
26.					

SURVEYED BY: _____ **DATE:** ____/____/____

BUILDING/ESTATE NAME: _____

ADDRESS: _____

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]

Facility Service Systems Elements - Sample List of Items

	ELEMENTS	QUANTITY	INSPECTION, TEST OR SERVICE [I, T OR S]	CURRENT CONDITION [Repair OR Capital Replace]	LOCATION ID [From Attached Site Plan]
1.	<u>VENTILATING</u>				
2.	EXHAUST FANS (BELTS, TIMERS)				
3.	DISTRIBUTION FILTERS)				
4.					
5.					
6.	<u>SECURITY</u>				
7.	SCREENS				
8.	LOCKS/CLOSURES				
9.	BURGLAR ALARMS				
10.					
11.	<u>SITE DRAINAGE</u>				
12.	CATCH BASINS				
13.	GUTTERS & DOWNSPOUTS				
14.	ROOF DRAINS				
15.	<u>SIGNAGE</u>				
16.	INSTRUCTIONS				
17.	UNIT ADDRESS/NO				
18.					

19.	<u>ELEVATORS</u>				
20.	PENTHOUSE (LIGHTING/LOCKS)				
21.	CAB (LIGHTING/FINISHES)				
22.	CAB (FLOOR LEVELS)				
23.	CAB (DOOR CLOSING)				

	ELEMENTS	QUANTITY	INSPECTION, TEST OR SERVICE [I, T OR S]	CURRENT CONDITION [Repair OR Capital Replace]	LOCATION ID [From Attached Site Plan]
1.	<u>COMMUNICATIONS</u>				
2.	BULLETIN BOARD				
3.	PULL CORDS				
4.	TELEPHONE				
5.	TV/CABLE				
6.	INTERCOM				
7.	MAILBOXES				
8.	ANTENNAE (PERMANENT)				
9.	<u>FIRE PROTECTION</u>				
10.	FIRE HOSES/ STANDPIPES				
11.	SMOKE DETECTORS				
12.	HEAT DETECTORS				
13.	FIRE EXTINGUISHERS				
14.					
15.					
16.	<u>TRASH</u>				
17.	CHUTE/ENTRY DOORS/ROOMS				
18.	DUMPSTER ENCLOSURES				
19.	RECYCLING CONTAINERS				
20.	CENTRAL TRASH STORAGE ROOM				
21.					

22.					
23.	<u>ELECTRICAL</u>				
24.	EXTERIOR LIGHTING				
25.	INTERIOR LIGHTING FIXTURES				
26.	TIMERS				
27.	PHOTOCELLS				
28.	EMERGENCY LIGHTS				
	ELEMENTS	QUANTITY	INSPECTION, TEST OR SERVICE	CURRENT CONDITION	LOCATION ID
			[I, T OR S]	[Repair OR Capital Replace]	[From Attached Site Plan]
29.	EMERGENCY (BACKUP) GENERATOR				
30.	POWER LINES				
31.	TRANSFORMER				
32.	<u>PLUMBING</u>				
33.	WATER DISTRIBUTION				
34.	SANITARY DISTRIBUTION				
35.	SUMP PUMPS				
36.	DISTRIBUTION VALVES				
37.	DISTRIBUTION METERS				
38.	HOT WATER BOILER/THERMOMETER				
39.					
40.	<u>HEATING</u>				

41.	RADIATORS				
42.					
43.					
44.					
45.					
46.					
47.					
48.					
49.					
50.					
51.					
52.					
53.					
54.					

SURVEYED BY: _____ DATE: ____/____/____

BUILDING/ESTATE NAME: _____

ADDRESS: _____

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]

Cost Breakdown by Facility Element

Development: _____ Facility Element ____

ACTIVITY [SEE DEFINITIONS]	FREQUENCY REQUESTED	LABOR RATE	LABOR HOURS	TOTAL ESTIMATE FOR ALL AREAS [Per Week]		
				LABOR	MATLS. & EQUIP	TOTAL COST
1.						

2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
16.							
17.							
18.							

TOTALS

--	--	--

FREQUENCY KEY

SKILLS KEY

D = DAILY W = WEEKLY A = APPRENTICE
 2W = TWICE WEEKLY M = MONTHLY C = CUSTODIAN/JANITOR
 3W = THRICE WEEKLY Q = QUARTERLY CR = CUSTODIAN/JANITOR
 SA = SEMI-ANNUALLY A = ANNUALLY WITH MINOR REPAIR SKILLS
 X = OTHER (SPECIFY) TO = ON UNIT TURNOVER R = RESIDENT

SURVEYED BY: _____ DATE: ____/____/____

BUILDING/ESTATE NAME: _____

ADDRESS: _____ Page: ____ of ____ :

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]

Cost Breakdown of Unscheduled Work Orders

Development: _____ **Building:** _____

-

YEAR OF ANALYSIS _____ :

<i>MONTH</i>	<i># OF WORK ORDERS COMPLETED</i>	<i>TOTAL # OF HOURS FOR ALL WORK ORDERS</i>	<i>AVERAGE HOURS PER WORK ORDER</i>	<i>TOTAL COST OF ALL WORK ORDERS FROM AVERAGE LABOR COST IF NECESSARY</i>	<i>PROJECTED PER YEAR</i>
JANUARY					
FEBRUARY					
MARCH					
APRIL					
MAY					
JUNE					
JULY					
AUGUST					
SEPTEMBER					
OCTOBER					
NOVEMBER					
DECEMBER					
TOTAL					
(AVERAGE)					

INCLUDE UNSCHEDULED WORK ORDERS ONLY

SURVEYED BY: _____ **DATE:** ____/____/____
BUILDING/ESTATE NAME: _____
ADDRESS: _____

Rev date:
Cochrane/OKM

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]

Cost Breakdown of Unit Turnover Work Orders

Development: _____ **Building:** _____

YEARS OF ANALYSIS _____ :

	<i># OF WORK ORDERS COMPLETED FOR ALL TURNS</i>	<i>TOTAL # OF HOURS FOR ALL WORK ORDERS</i>	<i>AVERAGE HOURS PER WORK ORDER</i>	<i>TOTAL COST OF ALL WORK ORDERS FROM AVERAGE LABOR COST IF NECESSARY</i>	<i>PROJECTED PER YEAR PER UNIT TURNED OVER</i>
TOTAL FOR YEAR _____					
TOTAL FOR YEAR _____					
TOTAL FOR YEAR _____					
AVERAGE FOR LAST THREE YEARS					

PROJECTED TURNOVER RATE FOR BUDGET YEAR	PROJECTED NUMBER OF WORK ORDERS FOR BUDGET YEAR	PROJECTED COST FOR ALL TURNOVER WORK ORDERS FOR BUDGET YEAR

SURVEYED BY: _____ **DATE:** ____/____/____

BUILDING/ESTATE NAME: _____

ADDRESS: _____

BASELINE IDENTIFICATION AND MEASUREMENT PROGRAM [BLIMP®]

Capital Replacement Plan Costing

Development: _____ **Building:** _____

-

YEAR OF ANALYSIS _____:

[Attached Separately]

DEVELOPED BY: _____ **DATE:** ____/____/____

BUILDING/ESTATE NAME: _____

ADDRESS: _____

Attachment C:

Capital Replacement Plan

Attachment D:

Contract Administration

I: CONTRACT ADMINISTRATION - CONTRACT DOCUMENTS

CONTRACT ADMINISTRATION requires CONTRACT DOCUMENTS whether for services, construction or repair work. These documents can range from a simple outline SPECIFICATION (with cost and agreement) to a complicated set of documents which might include DRAWINGS, SPECIFICATIONS, GENERAL CONDITIONS, GENERAL REQUIREMENTS (special and/or supplementary conditions) and an OWNER-CONTRACTOR AGREEMENT.

Because CONTRACT DOCUMENTS are the basis for BIDDING, CONTRACTING and WORK PERFORMANCE, they must include at the bidding stage INSTRUCTIONS FOR BIDDERS, i.e., bid forms, bid dates, and requirements for contractor qualifications to bid.

The usual rules requiring competitive bidding are predicated upon the type of contract (service with materials, materials only or emergency repair of a temporary type) and whether public funding is involved. For instance, some funding sources require competitive bidding. This may require that in the case of an emergency repair of a temporary nature, there is no dollar limit but at least three (3) quotes are to be obtained. Again, in the case of a contract for materials (supplies) only (no labor) three (3) quotes may be required up to a certain monetary limit. (Beyond this amount requires advertised public bidding of CONTRACT DOCUMENTS). The organization procuring services or materials must know what the organization's requirements are and what other legal and governmental requirements may apply.

As can be seen, to stay within these legal parameters accurate ESTIMATES become critical.

DRAWINGS (if appropriate) together with the SPECIFICATIONS or WORK REQUIREMENTS of the job, form a complementary portion of what is known technically as CONTRACT DOCUMENTS.

SPECIFICATIONS or WORK REQUIREMENTS are the written INSTRUCTIONS that describe material choices and quality, workmanship, performance and installation procedures along with any other information that is more easily presented in written form.

The SPECIFICATIONS will also contain the GENERAL CONDITIONS and the GENERAL REQUIREMENTS followed by TECHNICAL sections dealing with specific or special requirements.

The GENERAL CONDITIONS portion of the SPECIFICATIONS serves to define the RESPONSIBILITIES of parties to the contract while the GENERAL REQUIREMENTS stipulate SPECIAL CONDITIONS and SUBMITTAL REQUIREMENTS.

SUBMITTALS mandated during CONTRACT ADMINISTRATION are those items defined as needing approval prior to purchase, inclusion and/or implementation into the work by the Contractor. For example, if a computer is purchased, a model may have to be submitted for demonstration and approval before a purchase can go forward. Specifically, SUBMITTALS are SHOP DRAWINGS, PRODUCT DATA, and SAMPLES.

Shop Drawings are drawings, diagrams, schedules and other data specially prepared for the Work by the contractor or the Subcontractor, manufacturer, supplier or distributor to illustrate some portion of the Work.

Product Data are illustrations, standard schedules, performance charts, instructions, brochures, diagrams and other information furnished by the Contractor to illustrate a material, product or system for some portion of the Work.

Samples are physical examples which illustrate materials, equipment or workmanship and establish standards by which the Work will be judged.

Required SUBMITTALS, i.e. , those SUBMITTALS as mandated, described and detailed in the individual sections of the SPECIFICATIONS must be received and evaluated until approval is granted by the Contract Administrator (owner's representative). The specific method for processing SUBMITTALS for all parties to the contract is explained in the GENERAL REQUIREMENTS portion of the SPECIFICATIONS.

Needless to say, the timely surveillance of the SUBMITTAL approval process is primary for effective CONTRACT ADMINISTRATION.

CONTRACT DOCUMENTS therefore are the basis for bidding, the basis for contract negotiations and the basis for evaluation of the work. If they are vague or oral or contradictory, it makes for considerable difficulty in comparing bids, in clarifying what the contract requires and in settling disputes over the quality, timeliness and cost of the Work.

II: CONTRACT ADMINISTRATION - MONITORING AND QUALITY CONTROL

Monitoring or quality control is essentially the art and science of ensuring that the work contracted for is completed satisfactorily and that the objectives of letting the contract are achieved,

In one sense, if the scope of work in the CONTRACT DOCUMENTS is clear, unambiguous and detailed, then one should be able to sign a contract, go on vacation and return and find that everything has been done properly and the contractor should be paid in full.

In the real world that rarely happens.

At a minimum, no Specification writer can anticipate every situation and allow for it in the scope of work. During the course of work, almost all contractors will need to discuss the work with someone maybe because there are unforeseen conditions which no one knew of; maybe equipment specified was no longer available; maybe a special permit is required that needs a signature from the owners.

Contract administration requires that there be a contract administrator. This person is responsible for ensuring that the work is done in accordance with the specifications of the contract. This person becomes

the point of official contact between the owner and the contractor. The contract administrator gives the ORDER TO PROCEED or COMMENCE WORK AUTHORIZATION. Without this the contractor may not start the job. The contract administrator approves REQUISITIONS FOR PAYMENT which are the submission by the contractor that they are entitled to payment for work done. Typically these are not approved until the contract administrator inspects the work and agrees that what has been done is satisfactory and the amount requisitioned represents the correct proportion of the contract amount for that work. If the quality of the work is beyond the technical competence of the contract administrator to judge, they will appoint or hire an INSPECTOR or CLERK OF THE WORKS or OWNER'S REPRESENTATIVE to inspect the work and make a report. The PAYMENT may be 5-10% less than the amount requisitioned because it is a common practice to have RETENTION. This is an amount roughly equal to the contractor's profit to ensure that near the end of the job, there will be sufficient incentive to cause the contractor to finish the work and if not, that there is enough to cover the punch list.

If a situation arises which both the contract administrator and the contractor agree that was not anticipated in the original contract documents and which they both agree should now be added to the scope of work, a CHANGE ORDER or CONTRACT MODIFICATION is issued. This authorizes the change. If there is no change in the price as a result of the work change it is a NO COST CHANGE ORDER. If there is a change in the price, then the CHANGE ORDER will include a price change which may be a reduction or an addition to the original price.

If a job is going faster than the contract specified, there may be a bonus payment to the contractor. If it is going more slowly there may be a penalty. In any case, the contract administrator keeps an eye on JOB PROGRESS and reports to the owner and the contractor any concerns they may have.

When the job is near the finish, the contract administrator will begin to develop a PUNCH LIST. This is a list of all items not finished or not finished satisfactorily. It becomes a way of CLOSING OUT a job. No work is ever perfect and can begin to deteriorate due to people or weather. A written punch list ensures that a contractor and contract administrator have an agreed on list. The FINAL PUNCH LIST is the one which specifies what is left to be done before the contractor receives the FINAL PAYMENT and RETENTION.

Attachment E:

Inspection Guide

(These will follow soon)

APPENDIX

Section I - Chapter 2

PROVISIONAL LAW (Decree 588, passed 31 July 1995)

Sample Model and Charter

Steps to Registration

APPENDIX

Section II - Chapter 1

Recommended Meeting Procedures

Sample Meeting Forms and Notices

APPENDIX

Section II - Chapter 2

Sample Management Contract

APPENDIX

Section II - Chapter 3

General Ledger Sheets for Income and Expenses

APPENDIX - CONDOMINIUM REGISTRATION STEPS

STEPS TO REGISTRATION OF HOMEOWNERS ASSOCIATION IN UKRAINE

1. Form the Initiative Group;
2. Draft Charter;
3. Hold Foundation Meeting;
4. Certify Charter by Notary;
5. Collect necessary documents required;
 - copy of building technical inspection report
 - description of each and every unit
 - entitling documents to each unit (certified copies)
 - description of land parcel
 - technical passport
6. Apply to the municipal office for legal entities for registration;
7. Register as Legal Entity;
8. After obtaining Registration Certificate:
 - register with the Tax Inspector
 - register with the Pension Fund
9. Obtain a seal and stamp;
10. Open a bank account;
11. Start operation.

APPENDIX -MODEL CHARTER

MODEL CONDOMINIUM OWNERS' ASSOCIATION CHARTER

Establishing an Owners' Association and Plan of Joint Ownership For The Property Located at

CHAPTER I - GENERAL PROVISIONS

Article 1.1. Creation of Owners' Association.

By registration of this Charter in the registry of associations in the appropriate jurisdiction, an Owners' Association is hereby created in the above-referenced Property.

Article 1.2. Property Interests.

a. **Submission of Interests.** The members of the Owners' Association hereby submit their joint ownership in the Property to the provisions of this Charter, as it may be amended from time to time, in order to create a plan of joint ownership of such Property. A legal description of the Land and the Building and any other structures or appurtenances comprising the Property is attached as Schedule A.

b. **Floor Plans.** Floor Plans showing the boundaries of the Units are attached to this Charter as Schedule B.

c. **Schedule of Allocated Interests.** A Schedule of Allocated Interests is attached to this Charter as Schedule C. Allocated Interests in the Common Elements are assigned to each Unit and shall remain attached to the Unit to which they are assigned. Allocated Interests shall be deemed to be conveyed with the Unit to which they are assigned even if not specifically referred to in the instrument of conveyance.

Article 1.3. Definitions.

a. **Allocated Interests.** The indivisible ownership interest in the Common Elements of the Property allocated to each Unit. Interests shall be allocated to each Unit on the basis of the ratio of the number of square meters of floor space in the Unit to the total number of square meters of floor space in all of the Units. Allocated Interest shall be used to calculate the Common Expense Liability allocated to each Unit.

b. **Board of Directors.** The executive organ to which powers may be delegated by the General Assembly in accordance with this Charter and applicable law.

c. **Charter.** The document which upon registration creates an Owners' Association and a plan of joint ownership and operation of Property. Any exhibit, or schedule, or certification recorded simultaneously with this Charter, and any duly enacted amendment of the Charter, shall be deemed an integral part of this Charter from the time of registration.

d. **Common Expenses.** Expenditures or financial liability of the Owners' Association in relation to the Common Elements, and for services and other expenses provided to all of the Units.

e. **Eligible Mortgage Lender.** Any Mortgage Lender holding a Mortgage on a Unit and its Allocated Interests, provided that such Mortgage Lender has given written notice of its Mortgage to the Owners' Association.

f. **General Assembly.** The aggregate of all of the Unit Owners acting together for the purpose of carrying out their responsibilities under this Charter or applicable law.

g. **Majority of Unit Owners.** The percentage of aggregate voting interests in the General Assembly needed to approve an action or decision of the General Assembly, which shall be the number of votes needed to comprise more than _____ percent (___%) of the voting interests unless a higher percentage is required by this Charter or applicable law.

i. **Notice.** Written notice delivered by hand or sent by registered mail to the Unit Owner at the Unit address or at such other address as the Unit Owner shall provide to the Owners' Association. All notices shall contain sufficient information to apprise the recipient of the nature of the matters for which notice is given.

j. **Notice and Comment.** Whenever in the Charter Notice and Comment is required, no action shall be taken until Notice has been provided of the pending action and there has elapsed a period of 30 days in which an affected Unit Owner may submit written comments to the Board of Directors regarding the proposed action.

k. **Notice and Hearing.** Whenever in the Charter Notice and Hearing is required, no action shall be taken until Notice has been provided of the pending action and the affected Unit Owner has been provided with a hearing before the Board of Directors, which hearing shall be open to all Unit Owners. At any such hearing, the affected Unit Owner shall be permitted to appear in person or through a representative to present information and arguments regarding the matter that is the subject of the hearing.

l. **Owners' Association.** The organization of owners of all Units.

m. **Person.** A natural person, corporation, partnership, association, or other legal entity capable of holding title to a Unit, or any combination of the foregoing.

n. **Property.** The Land and Building and any other structures or appurtenances comprising the real estate subject to the joint ownership plan created by this Charter.

o. **Property Manager.** A person or firm employed by the Owners' Association to perform such duties with regard to operation and management of the Property as may be delegated by the Owners' Association or the Board of Directors.

p. **Purchaser.** Person or Persons who by means of a voluntary transfer acquire an ownership interest in a Unit, other than as security for a debt.

q. **Rules.** The regulations governing the conduct of occupants of Units as adopted from time to time by the General Assembly or the Board of Directors, provided that such Rules do not conflict with this Charter or applicable law.

r. **Special Assessment.** Any assessment made by the General Assembly for Common Expenses not included in the approved budget of the Owners' Association for the current fiscal year.

s. **Special Expense.** Any charge or expense assessed by the General Assembly against fewer than all Unit Owners.

t. **Unit.** A portion of the Building designed for individual ownership. Reference to Units without specific reference to Residential Units or Nonresidential Units as such shall refer to both types of Units.

u. **Unit Owner.** One or more Persons who own a Unit.

CHAPTER II - UNITS AND COMMON ELEMENTS

Article 2.1. Units.

a. **Schedule of Units.** Attached as Schedule C is a schedule of all Units, as shown more fully on the Floor Plans, and the Allocated Interests appurtenant to each Unit.

b. **Dimensions of Units.** The physical dimensions of the Units are defined as follows:

(1) Each Unit, as shown in the Floor Plans, consists of the space bounded by the walls, floors and ceilings of such Unit. Doors and windows in Units leading to Common Elements shall be parts of the Units. Improvements lying within the described space and serving that Unit exclusively, including any heating or air conditioning equipment, electrical switches, wiring, pipes, ducts, conduits, and television, telephone and electric receptacles, are part of the Unit.

(2) Not included in the Units are any chutes, flues, ducts, wires, bearing walls, bearing columns, or any other structures or apparatus lying partially within and partially outside the designated boundaries of any Unit, and which run through any interior walls or partitions of a Unit for the purpose of providing utilities or similar services to any other Unit or the Common Elements.

Article 2.2. Common Elements.

a. **Common Elements.** The Common Elements shall consist of all parts of the Property not included in the Units, and shall include without limitation the following:

(1) the Land;

(2) foundations, columns, girders, beams and supports of the Building;

(4) other structures or appurtenances comprising the real estate subject to joint ownership under this Charter;

(3) exterior walls of the Building, walls, floors and ceilings enclosing a Unit, and all walls and partitions separating Units from lobbies, corridors, and stairways;

(4) the roof, lobbies, corridors, stairs, elevator shafts, elevators, laundry, meters, boilers, mechanical, telephone, maintenance, trash disposal, air conditioning equipment, storage, recreational and assembly areas, and entrances and exists of the Building;

(5) pumps, pipes, wires, cables, conduits, and other apparatus relating to the water distribution, power, light, telephone, sewer, heating and air conditioning and plumbing systems serving more than one Unit and/or portion of the Common Elements, regardless of the actual location thereof; and

(6) surface driveways, walkways, and parking areas and exterior landscaping.

b. Limited Common Elements. Limited Common Elements consist of all Common Elements identified in this Charter or the Floor Plans which are reserved for the exclusive use of a particular Unit or group of Units, including the following:

(1) [Example: Unit balconies located on the exterior of the Building.]

(2) [etc.]

c. Ownership of Common Elements. Ownership of the Common Elements shall remain joint and undivided, and no Unit Owner or any other Person having an interest in the Property shall bring any action for partition of the ownership of the Common Elements, except upon the conditions set forth in this Charter with respect to condemnation, damage, or destruction, or upon termination of the Owners' Association.

CHAPTER III - PHYSICAL ALTERATIONS

Article 3.1. Improvements, Alterations, Additions to Unit and Common Elements by a Unit Owner; Relocation of Unit Boundaries and Subdivision of Units.

Any improvements, alterations or additions made by a Unit Owner to a Unit or the Property shall be subject to the following conditions:

(1) No Unit Owner shall make any improvement, alteration or addition to the Common Elements, or to any Unit if such modification would affect the appearance, structural integrity, or mechanical or electrical services of the Common Elements without first having obtained the approval of the General Assembly. Requests for any such modification shall be made in writing by the Unit Owner, and shall include plans and specifications of the proposed modification.

(2) A Unit Owner shall not need the approval of the General Assembly to make any improvement, alteration, or addition to his Unit not covered by the provisions of the previous paragraph.

(3) All improvements, alterations or additions made by a Unit Owner shall be carried out strictly in compliance with the plans and specifications approved by the General Assembly and solely at the Unit Owner's expense. No such work shall be performed by a Unit Owner without first having obtained all necessary permits from the appropriate authorities, and all such work shall be carried out strictly in accordance with applicable laws and regulations.

(4) Regardless of whether the approval of the General Assembly is required, the Unit Owner shall provide insurance against all losses commonly insured against which might arise from work by the Unit Owner on the Property. The Unit Owner shall indemnify the Owners' Association against all losses and expenses incurred by the Owners' Association because of the work.

(5) All improvements, alterations, or additions shall be carried out in a manner that causes assure minimum disturbance to other Unit Owners.

Article 3.2. Ownership of Adjoining Units.

Subject to compliance with the provisions of Article 3.1 of this Chapter, a Unit Owner who owns adjoining Units may alter a partition wall or ceiling

between the Units to create an entry or entries between the two. Such Units shall continue to be considered separate Units.

Article 3.3. Relocation of Boundaries Between Units.

Subject to compliance with Article 3.1 of this Chapter, the boundaries between adjoining Units may be relocated upon approval of an application to the General Assembly submitted by all the Unit Owners of the affected Units. Such application shall provide a plan of the relocation and state the proposed adjustment to the Allocated Interests that would result from the boundary change. The approval of the proposed change by any Mortgage Lenders holding an interest in any affected Unit shall be endorsed on the application.

If the General Assembly approves the application, it shall cause to be prepared and registered the necessary amendment to the Charter. Before the work may begin, the applicant shall pay for all costs associated with review of the application, and preparation and registration of the amendment to the Charter.

Article 3.4. Subdivision of Units.

A Unit Owner may subdivide a Unit into two or more Units by complying with the requirements and procedures set out in Article 3.3 of this Chapter. The sum of the Allocated Interests assigned to each Unit created in any such subdivision shall equal the Allocated Interests of the subdivided Unit.

Article 3.5. Expansion of the Condominium.

The number of Units in the Property, as shown on Schedule C, may be increased by new construction or conversion of Common Elements by a vote of a Majority of the Unit Owners. In the event that Units are added to the Property through new construction or conversion of Common Elements, the Allocated Interests shall be adjusted in accordance with the formula for calculation of Allocated Interests provided in Article 1.3, and an amendment to the Charter shall be registered.

CHAPTER IV - OPERATION OF THE OWNERS' ASSOCIATION

Article 4.1. The General Assembly; Allocation of Votes.

a. The General Assembly shall be responsible for the management and operation of the Property. Each Unit Owner shall be a member of the General Assembly.

b. Votes shall be allocated to each Unit Owner in accordance with the total floor area of the Unit owned, with one vote for each ten (10) square meters of floor area and for any remaining amount over five (5) square meters of floor area. Votes are allocated to the State or Municipality on the basis of this calculation, except when the State or Municipality is owner of Units to which more than thirty percent (30%) of the total floor space is allocated, in which case the State or Municipality may vote no more than thirty percent (30%) of the total allocated votes.

Article 4.2. Composition and Responsibilities.

The General Assembly shall be responsible for administering the Property and for performing other acts as required or permitted by the Charter and applicable law.

Article 4.3. Auditing Committee or Audit.

The General Assembly shall either elect an Auditing Committee from among the Owners or their representatives, or appoint an Auditor, to review the annual financial statements, balance sheets, and financial books and accounts of the Owners' Association, and to oversee the financial activities of the Board of Directors and the Property Manager. The Auditing Committee or Auditor shall report on the financial status of the Owners' Association within 60 days after the end of each fiscal year, at the Annual Meeting of the General Assembly.

Article 4.4. Annual Meeting.

The Annual Meeting of the General Assembly shall be held within 60 days after the end of each fiscal year, on a date that shall be set by resolution of the Board of Directors. At the Annual Meeting, the members of the Board of Directors shall be elected, the budget shall be presented for adoption, and the Unit Owners may transact such other business as may properly come before them.

Article 4.5. Special Meetings.

Special meetings of the General Assembly may be called by a majority of the Board of Directors or the Auditing Committee, or by Unit Owners having at least ten percent (10%) of the votes in the General Assembly. The Notice for a Special Meeting shall state initiator of the meeting.

Article 4.6. Place of Meetings.

Meetings of the General Assembly shall be held in the Building or at such other suitable place convenient to the Unit Owners as may be designated by the Board of Directors.

Article 4.7. Notice of Meetings.

At least twenty (20) days in advance of any meeting of the General Assembly, the Secretary or other officer shall cause notice of such meeting to be delivered or sent by registered mail to each Unit or to any other mailing address designated in writing by a Unit Owner. The notice of any meeting shall state the time and place of the meeting and the items on the agenda.

Article 4.8. Adjournment of Meetings.

At any meeting of the General Assembly, a Majority of the Unit Owners may adjourn the meeting to another time. In the event of any such adjourned meeting, no further notice of the adjourned date need be given to any Unit Owner.

Article 4.9. Order of Business.

The order of business at all meetings of the General Assembly shall be as follows:

- (1) Roll call or registration.
- (2) Proof of minutes of preceding meeting.
- (3) Reading of minutes of preceding meeting.
- (4) Reports.
- (5) Election to the Board of Directors.
- (6) Adoption of Budget.
- (7) Unfinished business.
- (8) New business.
- (9) Adjournment.

Article 4.10. Voting.

a. The vote of a Majority of Unit Owners shall be binding upon all Unit Owners for all purposes.

b. If only one of several owners of a Unit is present at a meeting of the General Assembly, that owner is entitled to cast the Votes allocated to that Unit. If more than one of the owners are present, the votes allocated to that Unit may be cast only in accordance with the agreement of a majority of the Owners of the Unit who are present.

c. The vote allocated to a Unit may be cast pursuant to a proxy duly executed by all Unit Owners of that Unit and dated. A Unit Owner may revoke a proxy only by actual notice of revocation to the person presiding over a meeting.

d. The vote of a legal entity which is a Unit Owner may be cast by any officer or partner of such legal entity in the absence of express notice of the designation of a specific person by the legal entity.

Article 4.11. Quorum.

Except as otherwise provided in this Charter, fifty percent (50%) of all of the Unit Owners, present in person or by proxy at any General Assembly, shall constitute a quorum. For any General Assembly at which a quorum is not present, the Board of Directors may adjourn the meeting until a time at least forty eight (48) hours but not more than thirty (30) days after the General Assembly originally was called. When reconvened, the General Assembly shall be authorized to enact business whether a quorum is present or not.

CHAPTER V - BOARD OF DIRECTORS

Article 5.1. Board of Directors.

Except as provided in this Charter or applicable law, management of the affairs of the Owners' Association may be delegated by the General Assembly to a Board of Directors elected by the Unit Owners.

Article 5.2. Number and Qualification.

The Board of Directors shall consist of at least three (3) persons, all of which shall be Unit Owners.

Article 5.3. Election; Term.

a. Members of the Board of Directors shall be elected by a majority of the Unit Owners at a General Assembly.

b. The term of members of the Board of Directors shall be not more than two (2) years. The terms of at least one third (1/3) of the members of the Board of Directors shall expire annually. At the first meeting of the General Assembly at which members of the Board of Directors are elected, two (2) nominees for the Board of Directors shall be designated as nominated for terms of one (1) year, one (1) shall be designated as nominated for a term of two (2) years.

c. Nominations for election to the Board of Directors may be submitted by any Unit Owner, either in writing or from the floor, at a General Assembly where an election will take place.

d. At any meeting at which members of the Board of Directors are to be elected, the Unit Owners may adopt election procedures not inconsistent with this Charter.

e. Members of the Board of Directors shall take office upon election and shall serve until their successors are elected.

Article 5.4. Powers and Duties.

The Board of Directors may act on behalf of the Unit Owners except for actions which are exclusively reserved to the General Assembly under this Charter or applicable law.

Article 5.5. Property Manager.

The Owners' Association may employ a Property Manager, whose compensation shall be established by the General Assembly, to perform such duties and services as the Owners' Association shall authorize. Contracts for goods or services relating to the Property or the Owners' Association may be executed by the Property Manager only pursuant to resolution of the General Assembly or the Board of Directors.

Article 5.6. Removal; Vacancies.

a. Any member of the Board of Directors may be removed, with or without cause, by a seventy-five percent (75%) vote of the General Assembly.

b. Vacancies on the Board of Directors caused by any reason other than removal may be filled at any regular or special meeting of the General Assembly after the occurrence of the vacancy. Each person so elected shall be a member of the Board of Directors for the remainder of the term of the member so replaced.

Article 5.7. Organization Meeting.

The first meeting of the Board of Directors following each annual General Assembly shall be held within ten (10) days thereafter.

Article 5.8. Regular Meetings.

Regular meetings of the Board of Directors may be set by schedule and held at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors, but at least four (4) such meetings shall be held during each fiscal year. Unless set by schedule, Notice of such regular meetings shall be given to each member of the Board of Directors by mail or hand delivery, and shall be posted in a conspicuous place on the Property for the benefit of Unit Owners, at least three (3) business days prior to the date of the meeting. All meetings of the Board of Directors shall be open to the Unit Owners.

Article 5.9. Special Meetings.

Special meetings of the Board of Directors may be called by the Chairman on three (3) business days' notice to each member of the Board of Directors delivered by hand or by mail, which notice shall state the time, place and

purpose of the meeting. Special meetings may be called in like manner at the request of at least two (2) members of the Board of Directors.

Article 5.10. Waiver of Notice.

Any member of the Board of Directors may waive notice of any meeting and such waiver shall be deemed equivalent to the giving of notice. Attendance by a member of the Board of Directors at any meeting of the Board of Directors shall constitute a waiver of notice. If all the members of the Board of Directors are present at any meeting, no notice shall be required and any business may be transacted.

Article 5.11. Quorum; Voting.

At all meetings of the Board of Directors, two thirds (2/3) of the members shall constitute a quorum for the transaction of business. The vote of two thirds (2/3) of the members shall constitute the decision of the Board of Directors.

Article 5.12. Compensation.

Compensation of the members of the Board of Directors shall be determined by the Unit Owners at a General Assembly.

CHAPTER VI - OFFICERS

Article 6.1. Designation.

The principal officers of the Owners' Association shall be the Chairman, the Vice Chairman, the Secretary, and the Treasurer, all of whom shall be elected by the Board of Directors from among its members. Any two offices may be hold by the same person, except the offices of Chairman and Vice Chairman and the offices of Chairman and Secretary.

Article 6.2. Election of Officers.

Officers of the Owners' Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board of Directors.

Article 6.3. Removal of Officers.

Upon the affirmative vote of two third (2/3) of the members of the Board of Directors, an officer may be removed, and his successor may be elected at any regular meeting or special meeting of the Board of Directors.

Article 6.4. Chairman.

The Chairman shall be the chief executive officer of the Owners' Association. The Chairman shall preside at all meetings of the General Assembly and of the Board of Directors, and shall have all of the powers and duties incident to the office of chairman of a legal entity such as the Owners' Association.

Article 6.5. Vice Chairman.

The Vice Chairman shall take the place of the Chairman whenever the Chairman is absent or unable to act. If neither the Chairman nor the Vice Chairman is able to act, the Board of Directors shall appoint another of its members to act in the place of the Chairman on an interim basis. The Vice Chairman shall also perform such other duties as may be imposed by the Board of Directors or by the Chairman.

Article 6.6. Secretary.

The Secretary shall keep the minutes of all meetings of the General Assembly and the Board of Directors. The Secretary shall have charge of such books and papers as the Board of Directors may direct and shall, in general, perform all the duties incident to the office of secretary of a legal entity such as the Owners' Association.

Article 6.7. Treasurer.

The Treasurer shall be responsible for Owners' Association funds and securities, for keeping financial records, books of account, and balance sheets, for the preparation of all required financial data, for deposit of funds, and shall, in general, perform all the duties incident to the office of treasurer of a legal entity such as the Owners' Association. The activities of the Treasurer shall be carried out in cooperation with and under the review of the Auditing Committee or the Auditor.

Article 6.8. Contracts, Deeds, Checks, and Other Instruments.

All contracts, deeds, leases, checks, and other instruments of the Owners' Association shall be executed by such officers of the Owners' Association as may be designated by resolution of the Board of Directors.

Article 6.9. Liability for Contracts.

No Unit Owner and no member of the Board of Directors or officer of the Owners' Association shall have any personal liability under any contract made by any of them on behalf of the Owners' Association.

Article 6.10. Indemnification.

The Board of Directors and officers of the Owners' Association shall not be liable for, and shall be entitled to indemnification against, all losses, damages, fines and penalties assessed against them and arising from the performance of their duties, provided that they acted in good faith in accordance with the provisions of the Charter or applicable law. The Board of Directors may obtain insurance covering such liability and indemnification and the premiums for such insurance shall be a Common Expense.

CHAPTER VII - MAINTENANCE, REPAIR AND REPLACEMENT

Article 7.1. Common Elements.

The Owners' Association shall maintain, repair, and replace all Common Elements, except those portions of the Limited Common Elements required to be maintained, repaired, or replaced by less than all of the Unit Owners.

Article 7.2. Units.

Each Unit Owner shall maintain, repair, and replace all portions of his Unit, except any portion of the Unit required by this Charter to be maintained, repaired, or replaced by the Owners' Association.

Article 7.3. Limited Common Elements.

Limited Common Elements shall be maintained, repaired, and replaced by the Owners' Association, except for the following, which shall be maintained, repaired, and replaced by the Unit Owners to which such Limited Common Elements are assigned:

- (1) [Example: Unit Owners are responsible for keeping personal balconies free of snow, ice and debris.]
- (2) [Example: Nonresidential Unit Owners are responsible for maintaining any entry or facilities that serve only commercial customers.]
- (3) [etc.]

Article 7.4. Repairs Resulting From Negligence.

Each Unit Owner shall reimburse the Owners' Association for any damages to the Common Elements or other Unit Owners for any damage caused to their Unit by the Unit Owner or any member of his household or any person occupying his Unit, including any damages caused to another Unit or the Common Elements because of the Unit Owner's failure to properly maintain, repair, or make replacements to his own Unit.

Article 7.5. Special Services.

A Unit Owner may request special services relating to the management or maintenance of the Property that are not provided to Unit Owners generally by the Owners' Association. The Board of Directors may in its discretion provide for such special services, the full costs of which, including a reasonable profit to the Owners' Association, shall be borne by the Unit Owner receiving the special services.

CHAPTER VIII - COMMON EXPENSES

Article 8.1. Obligation to Pay.

a. Each Unit Owner shall be obligated to pay that portion of Common Expenses which is equivalent to the Unit Owner's Allocated Interest. The obligation to pay Common Expenses begins when ownership of the Unit is obtained. Common Expenses are the liability of the Unit Owners and their successors in title to a Unit, and a Purchaser shall be liable for any unpaid Common Expense Liability of the prior Unit Owner.

b. **Definition of Common Expenses.** Common Expenses shall be defined by the General Assembly from time to time, but shall include:

- (1) expenses of management, accounting, legal, insurance and other service fees and premiums incurred by the Owners' Association;
- (2) maintenance, repair and upkeep of the Common Elements;
- (3) amounts approved by the General Assembly for working capital;
- (4) amounts approved by the General Assembly for a reserve fund for replacement of capital equipment, facilities, and improvements of the Property.

c. **Reserve Fund for Capital Replacements.** Any reserve fund for replacements of capital items shall be reasonably related to the remaining useful life of the capital components of the Property and their estimated cost of replacement, and shall be used only for the intended purposes unless other uses shall be approved at a General Assembly.

Article 8.2. Special Expenses.

a. **Generally.** The cost of maintenance, repair, and replacement of Limited Common Elements assigned to specific Units shall be Special Expenses allocated to those Units and shall not be included in Common Expenses.

b. **Fees, Penalties, and Costs.** Special Expenses assessed against less than all the Unit Owners shall include: any fees, fines, costs, or penalties assessed against a Unit Owner; any costs or charges assessed against a Unit Owner for Special Services provided by the Owners' Association at the Unit Owner's request; and any costs or damages assessed against a Unit Owner for damage to the Common Elements or to another Unit.

Article 8.3. Special Assessments.

From time to time as required to meet the expenses of the Owners' Association, the General Assembly may make Special Assessments against the Unit Owners.

Article 8.4. Common Profits.

Any Common Profits of the Owners' Association shall be allocated first to the Common Expenses, and the remainder, if any, shall be used in accordance with a plan adopted by the General Assembly.

Article 8.5. Adoption of Budget.

Prior to the start of each fiscal year, the Board of Directors shall prepare a proposed annual budget of the Owners' Association for the next fiscal year, and shall send a copy of such proposed budget to the Unit Owners together with Notice of the date of the General Assembly for consideration and adoption of the proposed budget. If the proposed budget is rejected, the budget last adopted by the Unit Owners shall be continued until such time as a subsequent budget is adopted.

Article 8.6. Determination of Common Expenses.

The annual budget for the Owners' Association shall determine the obligation of each Unit Owner for Common Expenses on the basis of their Allocated Interests.

Article 8.7. Payment of Expenses.

All Unit Owners shall be obligated to pay charges and assessments as follows:

(1) Common Expense Liability shall be payable no later than the fifth (5th) day of each month in monthly installments each equal to one-twelfth (1/12) of the Common Expense Liability of the Unit Owner under the budget for the current fiscal year.

(2) Unless otherwise provided by the General Assembly, Special Assessments shall be paid with the next payment of Common Expense Liability due at least thirty (30) days following the approval of the Special Assessment by the General Assembly.

(3) Special Expenses that are included in the budget of the Owners' Association shall be collected at the time and in the manner provided for collection of Common Expenses. Unless otherwise provided by the General Assembly, Special Expenses not included in the budget shall be payable with the next payment of Common Expenses due at least ten (10) days after the Unit Owner receives notice of the Special Expense.

Article 8.8. Application of Payments.

Any payment received from a Unit Owner will be applied first to fines, penalties and late charges or interest due, then to unpaid Special Assessments, then to Special Expenses, and then to the oldest due Common Expense Liability.

Article 8.9. Allocation of Special Expenses Among Unit Owners.

If the Unit Owners of one or more of the Units or of all of the Units requests the Board of Directors to render Special Services for the benefit of themselves or their Units, expenses relating to such Special Services shall be assessed against the group of Unit Owners making such request and against each of their Units, in the proportion to which the Allocated Interests appurtenant to each such Unit bears to the Allocated Expenses of all Units being assessed, unless all such Unit Owners agree to a different apportionment.

Article 8.10. Certificate of Payment of Assessments.

The Board of Directors shall upon request furnish to any Unit Owner or Eligible Mortgage Lender a certificate in writing signed by an officer of the Owners' Association, setting forth any Common Expense Liability, Special Expense, or Special Assessment due and unpaid by a Unit Owner. A reasonable fee not exceeding the amount necessary to defray the actual costs of preparing such certificate may be charged by the Board of Directors.

Article 8.11. Late Charges and Interest.

If any Common Expense Liability, Special Assessment, or Special Expense, or any installment thereof, is not paid when due, the amount due shall be delinquent. Interest on delinquent amounts shall be charged to the Unit Owner at the maximum rate allowed by law, and shall accrue on the delinquent amount from its due date until collected. To defray the extra expenses and costs incurred by a Unit Owner's failure to make payments when due, a late charge equal to five percent (5%) of the amount of any payment made more than ten (10) days after its due date shall be assessed against the Unit owner as a Special Expense.

Article 8.12. Fine for Violation.

The Board of Directors may levy a fine, in an amount to be determined from time to time by the General Assembly, for each day that a violation of the Charter or Rules persists after Notice of such violation is given to the Unit Owner.

Article 8.13. Records and Audits.

The Owners' Association shall maintain accounting records, which shall include:

(1) an account for each Unit which shall designate the name and address of each Unit Owner; the amount of each Common Expense Liability; any other fees payable, including Special Expenses and Assessments; the dates on which each assessment comes due; amounts paid on the account; and the balance due;

(2) an account of all other income of the Owners' Association;

(3) an account of the actual costs and expenditures for maintenance, repair or replacement of the Common Elements;

(4) an account of other actual costs and expenditures of the Owners' Associations, including but not limited to administrative costs, personnel costs, professional fees, taxes, and insurance;

(5) the current operating budget of the Owners' Association;

(6) an account of the current balance in any reserve for replacement of capital items;

(7) an estimate of any capital expenditures anticipated by the Owners' Association for the current and next succeeding fiscal year;

(8) a record of any unsatisfied judgments against the Owners' Association and the existence of any pending suits in which the Owners' Association is a defendant;

(9) a record of insurance coverage provided for the benefit of Unit Owners;

(10) local and federal tax returns; and

(11) minutes of proceedings of the General Assembly, the Board of Directors, the Auditing Committee, and any other committees of the Unit Owners or the Board of Directors.

Article 8.14. Financial Statements and Annual Audit.

All books and accounts of the Owners' Association shall be subject to an annual audit by the Auditing Committee or an Auditor, in accordance with applicable law. Within sixty (60) days after the end of each fiscal year, the Auditing Committee or the Auditor shall prepare a balance sheet, a statement of

income and expenses, and a general statement of the financial status of the Owners' Association for the preceding year for submission to the General Assembly.

Article 8.15. Examination.

All records maintained by the Owners' Association shall be available for examination and copying by any Unit Owner, by any Eligible Mortgage Lender, or by any of their duly authorized agents, at the expense of the person examining the records, during normal business hours and after reasonable notice to the Owners' Association.

CHAPTER IX - PROPERTY RIGHTS

Article 9.1. Right to Lease or Sell Units.

Each Unit Owner has the right to sell or lease his Unit without the prior approval of the Owners' Association or the Board of Directors. Leasing of Units may be subject to reasonable restrictions as adopted by the General Assembly.

Article 9.2. Other Rights of Unit Owners and the Owners' Association.

a. **Ingress and Egress Over Common Elements.** Each Unit Owner or occupant of a Unit shall have the right to ingress and egress over and across the Common Elements as necessary for access to the Unit.

b. **Right of Use and Access to Common Elements.** Each Unit Owner has a right of access to and use of the Common Elements, except for Limited Common Elements.

c. **Emergency Access.** Each Unit Owner or occupant of a Unit shall grant access to his Unit to a designated representative of the Owners' Association for the purpose of making repairs or inspecting conditions in any Unit which might affect any other Unit or any of the Common Elements. In case of emergency, such entry shall be immediate whether the Unit Owner or occupant is present or not, and the designated representative may permit other authorized persons to enter the Unit to make such repairs or inspection.

Article 9.3. Restrictions on Use.

a. **Unit Ownership.** The ownership of each Unit and its Allocated Interest in the Common Elements shall be subject to the covenants, restrictions, and uses set forth in the Charter and in applicable law. The provisions of the Charter shall constitute restrictive covenants and servitudes upon the Property and shall be binding upon all parties having any right, title, or interest in any part of the Property, their heirs, successors in title, and assigns, and shall inure to the benefit of each Unit Owner and the Owners' Association. No Unit Owner may exempt himself or his Unit from the operation and effect of the Charter or regulations of the Owners' Association.

b. **Specific Restrictions and Regulations.** In order to provide for congenial occupancy of the Property, for the welfare and safety of the Unit Owners and occupants, and for the protection of the value of the Units, the use of the Property shall be restricted in accordance with the following provisions and regulations:

(1) The Common Elements shall be used only for the purposes for which they are designed and intended and without interfering with the rights of other Unit Owners.

(2) A Unit Owner shall not permit or establish in his Unit any use or activity that is unlawful, disreputable, or hazardous to a degree not appropriate for a residential Building, or any use or occupancy that is prohibited by this Charter.

(3) All tenants must conform to the restrictions on use of the Unit set out in this Charter, which are to be incorporated into the lease of any tenant of a Unit. In the event that a tenant of a Unit Owner fails to comply with the Charter, the Board of Directors may, after Notice and Hearing, seek to remove the tenant and terminate the lease as if the Board of Directors were the Landlord under the lease.

(4) No Unit identified in this Charter and in the Floor Plans as a Residential Unit may be used as a Nonresidential Unit without approval of the General Assembly.

(5) [etc.]

Article 9.4. Use of Nonresidential Units.

Use of Nonresidential Units shall be subject to such reasonable restriction or regulations as may be imposed by the General Assembly.

Article 9.5. Enforcement of Charter.

a. **Enforcement Generally.** The Owners' Association shall have the authority to enforce the provisions of the Charter against Unit Owners by any means available under applicable law, including by an action in a court or arbitration to enforce the lien granted under this Article. In addition, the Owners' Association shall have the authority, after Notice and Hearing, and without liability to any Unit Owner, to enter any Unit in which a violation of the Charter exists, and to abate and remove any condition existing in such Unit that violates the terms of the Charter, at the expense of the Unit Owner,

b. **Fines, Penalties and Costs.** The General Assembly may establish fines and penalties for violations of the terms of the Charter, including interest and late payment charges with respect to any Common Expense Liability, Special Assessment, or Special Expense not paid when due. A Unit Owner found to be in violation of the Charter shall be liable to the Owners' Association for the costs incurred by the Owners' Association in the enforcement of the provisions of the Charter.

c. **Notice and Hearing.** Except for actions to collect unpaid Common Expense Liability, Special Assessments, or Special Expenses, and except in the case of emergencies where the Board of Directors must act to protect the Common Elements or the rights or property of other Unit Owners, prior to taking action to enforce any provisions of the Charter against a Unit Owner, including without limitation by the imposition of any fine or penalty, the Board of Directors shall provide the Unit Owner with Notice and Hearing.

d. **Lien on Units.** Each Unit owner hereby grants to the Owners' Association a lien on his Unit for unpaid Common Expense Liability, Special Expenses, and Special Assessments under the Charter. Such lien shall be:

(1) enforceable in the manner provided for mortgages on real estate or other debts under applicable laws;

(2) evidenced by the registration of this Charter, and shall require no other registration of additional documents or agreements;

(3) subordinate to the lien of an Eligible Mortgage Lender under a Mortgage registered prior to the time that the Common Expense Liability,

Special Assessment, or Special Expense became due.

CHAPTER X - INSURANCE; DAMAGE AND DESTRUCTION

Article 10.1. Insurance.

a. **Types of Insurance.** To the extent reasonably available in the market, the Owners' Association shall obtain and maintain in effect:

(1) property insurance insuring against all risks of direct physical loss commonly insured against; and

(2) liability insurance protecting the Owners' Association and the Unit Owners against claims of damage to persons or property occurring on or in the Common Elements.

b. **Property Insurance.** Property insurance carried by the Owners' Association shall insure the entire Property, including the Units, but shall exclude: (1) personal property of the Unit Owners in the Units; (2) appliances or fixtures in the Units; and (3) wall treatments or coverings in the Units. The amount of the insurance shall equal 100% of the full replacement cost of the Property at the time the insurance is purchased and at each renewal date. Unit Owners shall be responsible for insuring their personal property and any items not insured under the provisions of this Chapter.

c. **Liability Insurance.** Liability insurance shall insure against all occurrences commonly insured against for death, injury, or damage to property, and shall be in such amounts as shall be determined by the Board of Directors.

Article 10.2. Damage and Destruction.

a. **Duty to Restore.** Any portion of the Property for which the Owners' Association is required to carry property insurance under this Charter shall be repaired and replaced promptly unless:

(1) the Owners' Association is terminated in accordance with the provisions of the Charter or applicable law; or

(2) such repair or replacement is not permitted under applicable law; or

(3) eighty percent (80%) of the Unit Owners, including the Owners of Units that would not be repaired or rebuilt, vote not to rebuild.

b. **Costs.** Any costs to repair and rebuild the Property in excess of insurance proceeds shall be a Common Expense.

c. **Plans.** The Property shall be repaired and restored in accordance with its original plans and specifications unless changes to such plans and specifications are approved by a Majority of the General Assembly and the Eligible Mortgage lenders.

d. **Replacement of Less Than the Entire Property.** If less than the entire Property is repaired or replaced:

(1) Insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged Common Elements to a condition compatible with the remainder of the Property;

(2) Insurance proceeds attributable to damaged Units or Limited Common Elements will be distributed to the Owners of Units or Limited Common Elements not repaired or restored.

(3) Remaining insurance proceeds, if any, will be distributed to the Unit Owners in proportion to their Allocated Interests in the Owners' Association.

(4) The Allocated Interests of the Owners' Association shall be adjusted among the remaining Unit Owners to reflect the loss of Units not rebuilt and the Charter shall be amended as necessary.

Article 10.3. Eminent Domain.

In the event of taking of the entire Property by governmental authorities, amounts paid as compensation shall be payable to the Owners' Association on behalf of the Unit Owners and disbursed by the Owners' Association in accordance with the provisions of the Charter and applicable law. In the event that only a portion of the Property is taken and it is not possible to repair or rebuild the Property to its former condition, amounts paid in compensation shall be paid to the Owners' Association to be disbursed in accordance the Charter as set forth under paragraph d. of Article 6.2 dealing with repair or replacement of less than the entire Property.

CHAPTER XI - RIGHTS OF MORTGAGE LENDERS

Article 11.1. Notice of Actions.

The Owners' Association shall give prompt written Notice to each Eligible Mortgage Lender of:

- (1) Any damage, destruction, or taking by a governmental authority of any material portion of the Common Elements or of any Unit on which the Eligible Mortgage Lender holds a Mortgage.
- (2) Any lapse, cancellation, or material modification of any insurance policy maintained by the Owners' Association.
- (3) Any intention of the Owners' Association to enforce its rights for collection of unpaid Common Expenses against any Unit Owner of a Unit on which the Eligible Mortgage Lender holds a Mortgage.
- (4) Any proposed action which would require the consent of an Eligible Mortgage Lender under this Charter.

Article 11.2. Amendment of Charter.

a. No amendment of any material provision of the Charter may be enacted without the consent of a majority of the Eligible Mortgage Lenders. For purposes of this Article, material provisions shall include, without limitation, any provision affecting:

- (1) assessment of Common Expense Liability;
- (2) voting rights;
- (3) Allocated Interests of the Units;
- (4) provisions for reserves for maintenance, repair, and replacement of Common Elements;
- (5) insurance coverage;
- (6) imposition of restrictions on the right to use, sell, or lease a Unit; or

(7) any rights granted to Eligible Mortgage Lenders under this Charter.

b. Changes to boundaries of Units or subdivision of Units shall require the consent of any Eligible Mortgage Lender holding a mortgage on those Units.

Article 11.3. Inspection of Books and Records.

The Owners' Association shall permit any Eligible Mortgage Lender to inspect the financial records of the Owners' Association during normal business hours after reasonable notice. Upon the request of any Eligible Mortgage Lender, the Owners' Association shall provide a copy of the current financial statements of the Owners' Association.

Article 11.4 Right to Cure.

Upon receipt of Notice from the Owners' Association that it intends to enforce its rights against a Unit Owner for unpaid Common Expense Liability, Special Assessment, or Special Expense, an Eligible Mortgage Lender shall have thirty (30) days from the date of the notice to pay to the Owners' Association any amounts due with respect to the Unit, and the Owners' Association shall refrain from taking action against the Unit Owner until such 30-day period has expired. Should the Mortgage Lender elect to pay the amounts due to the Owners' Association, and continues to make payments with respect to the Unit as they become due, the Owners' Association shall suspend any further action with respect to the Unit Owner for collection of the amounts due.

CHAPTER XII - MISCELLANEOUS PROVISIONS

Article 12.1. Amendment of Charter.

This Charter may be amended only as provided in applicable law. Amendments shall be registered in the registry of associations, along with the original Charter.

Article 12.2. Termination of the Owners' Association.

The Owners' Association may be terminated only in accordance with the provisions of applicable law. No termination of the Owners' Association may be made without the prior written approval of Eligible Mortgage Lenders when required under the Charter.

Article 12.3. No Waiver.

No provision of the Charter shall be considered abrogated or waived by reason of any failure to enforce such provision, irrespective of the number of breaches or violations that may occur.

Article 12.4. Conflicts and Construction.

In the event of any conflict between any other documents and agreements and the Charter, the Charter shall control; except that an interpretation consistent with the Basic Principles shall in all cases control over any inconsistent interpretation. If any provisions, sentence, clause, phrase, or word of the Charter is judicially held invalid or unenforceable for any reason, such holding shall not be deemed to affect or impair any other provision of the Charter.

Agreed and signed as of the _____ day of _____, 199__.

UNIT OWNERS:

MUNICIPAL AUTHORITY:

APPENDIX -MODEL BYLAWS

BYLAWS OF _____ CONDOMINIUM

CHAPTER I - GENERAL PROVISIONS

Article 1. Ownership. The Condominium located at _____, in the Municipality of _____, has been established according to the provisions of the Condominium Law.

Article 2. Bylaws Applicability. The provisions of these Bylaws are applicable to all present or future owners, their tenants, and other persons who use the facilities of the Condominium.

CHAPTER II - ADMINISTRATION

Article 3. Owners' Association. The owners of the units in the Condominium shall constitute the members of the Owners' Association. The Owners' Association shall be responsible for administering the Condominium, managing the common property of the Condominium, approving the annual budget, and collecting monthly assessments from the unit owners. The Owners' Association may delegate the management of the Condominium to an Board of Directors and/or a property manager, an individual or firm operating under an agreement setting out the duties, obligations, compensation, and reasons for removal of the property manager.

Article 4. Annual General Assemblies. The Owners' Association shall meet at least once each calendar year in a General Assembly. The annual General Assembly shall be held on the ____ [first or second or third, etc.] ____ [Monday or Tuesday or Wednesday, etc.] of _____ [month] of each year. At such General Assembly, there shall be elected an Board of Directors. The owners may also transact such other business of the Owners' Association as may properly come before them.

Article 5. Special General Assemblies. The president of the Owners' Association shall call a special General Assembly of the owners as directed by resolution of the Board of Directors or by a petition signed by 20 percent or more of the owners.

Article 6. Notice of General Assemblies. The secretary shall cause to be delivered by mail or in person a notice of each annual or special General Assembly, stating the time, date, place, and purpose of the General Assembly, to each owner, at least 10 days prior to such General Assembly.

Article 7. Adjourned General Assemblies. If any General Assembly of owners cannot be convened because a quorum is not present, the owners who are present may adjourn the meeting to any time after the time the original General Assembly was called.

Article 8. Order of Business. The order of business at all General Assemblies of the Owners' Association shall be as follows:

- (a) Roll call.
- (b) Proof of notice of General Assembly or waiver of notice.
- (c) Reading of minutes of preceding General Assembly.
- (d) Reports of officers.
- (e) Report of committees.
- (f) Election of inspectors of election.
- (g) Election of members of Board of Directors.
- (h) Unfinished business.
- (i) New business.

CHAPTER III - VOTING; MAJORITY; QUORUM; PROXIES

Article 9. Voting. One vote shall be allocated to each unit in the condominium.

Article 10. Majority. As used in these Bylaws, the term "majority" or "majority of owners" shall mean owners holding more than _____ (%) of the votes in the Owners' Association. Unless otherwise required by law or the Charter, decisions of the Owners' Association shall be made by majority vote.

Article 11. Quorum. Except as otherwise provided in these Bylaws, the presence of at least 2/3 of the votes, in person or by proxy, shall constitute a quorum.

Article 12. Proxy Voting. Votes may be cast in person or by proxy. Proxies must be signed by the owner for which the votes will be cast and filed with the presiding officer before the beginning of each General Assembly where the proxy is to be exercised.

CHAPTER IV - BOARD OF DIRECTORS

Article 13. Number and Qualification. If approved by the owners at a General Assembly, the Owners' Association's affairs may be governed by an Board of Directors composed of _____ [odd number not less than three] persons, all of whom must be owners of units in the Condominium, to be elected by the owners at a General Assembly.

Article 14. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the Owners' Association, and may do all such acts and things as are not by law, the Charter, or these Bylaws directed to be done by the owners.

Article 15. Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Owners' Association, the Board of Directors shall be responsible for administering the following:

- (a) Care, upkeep, and surveillance of the common areas and facilities of the condominium.
- (b) Collection of monthly assessments from the owners.
- (c) Designation and dismissal of the personnel necessary for the maintenance and operation of the Condominium and the common areas and facilities.

Article 16. Property Manager. In addition to the Board of Directors, the Owners' Association may also employ a property manager to perform such duties and services as the Board of Directors shall authorize, including but not limited to the duties listed in Article Three of this article.

Article 17. Election and Term of Office. At the first General Assembly, the Owners' Association shall determine the length of the term for which the members of the Board of Directors shall serve. At the expiration of the initial term of each respective member of the Board of Directors, a successor shall be elected.

Article 18. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a member by a vote of the Owners' Association shall be filled by vote of the majority of the remaining members, even though they may constitute less than a quorum; and each person so elected shall be a member until a successor is elected at the Owners' Association's next General Assembly.

Article 19. Removal. At any regular or special General Assembly, any one or more of the members of the Board of Directors may be removed with or without cause by a majority of the owners, and a successor may then and there be elected to fill the vacancy thus created. Any member whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

Article 20. Organizational Meeting. The first meeting of the newly elected Board of Directors shall be held within 10 days of election at such place as shall be fixed by the members of the Board of Directors.

Article 21. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the members, but at least four such meetings shall be held during each calendar year.

Article 22. Special Meetings. Special meetings of the Board of Directors may be called by the president on three days' notice to each member, which notice shall state the time, place, and purpose of the meeting. Special meetings of the Board of Directors shall be called by the president or secretary in like manner and on like notice on the written request of at least three members.

Article 23. Quorum. At all meetings of the Board of Directors, a majority of the members shall constitute a quorum for the transaction of business, and the acts of the quorum shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the members present may adjourn the meeting from time to time. At any such meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

CHAPTER V - ACCOUNT AUDITING COMMITTEE

Article 24. Selection and Responsibilities. The owners may elect an Account Auditing Committee to review the accounts of the Owners' Association and advise the Owners' Association and the Board of Directors on the financial affairs of the condominium. If there is an Account Auditing Committee, it shall report to the General Assembly at least once a year on the financial status of the Owners' Association.

CHAPTER VI - OFFICERS

Article 25. Designation. The principal officers of the Owners' Association shall be a president, a vice-president, a secretary, and a treasurer, all of whom shall be members of the Board of Directors. The offices of secretary and treasurer may be filled by the same person.

Article 26. Election. The president shall be the person who receives the highest number of votes in an election of the Board of Directors. The other officers of the Owners' Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and shall hold office at the pleasure of the Committee.

Article 27. Removal. On an affirmative vote of a majority of the members of the Board of Directors, any officer other than the president may be removed with good cause, and a successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Article 28. President. The president shall be the chief executive officer of the Owners' Association. The president shall preside at all General Assemblies of the Owners' Association and meetings of the Board of Directors. The president shall have all of the general powers and duties that are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the owners to assist in the conduct of the business of the Owners' Association.

Article 29. Vice-President. The vice-president shall take the place of the president and perform the president's duties whenever the president shall be absent or unable to act. If neither the president nor the vice-president is able to act, the Board of Directors shall appoint some other member of the Board of Directors to do so on an interim basis. The vice-president shall also perform

such other duties as shall from time to time be requested by the Board of Directors.

Article 30. Secretary. The secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all General Assemblies of the Owners' Association, shall have charge of such books and papers as the Board of Directors may direct, and shall, in general, perform all the duties incident to the office of secretary.

Article 31. Treasurer. The treasurer shall have responsibility for funds of the Owners' Association, and shall be responsible for assuring that full and accurate accounts of all receipts and disbursements are kept in books belonging to the Owners' Association. If there is an Account Auditing Committee, the Account Auditing Committee shall advise and assist in carrying out the duties of the treasurer.

CHAPTER VII - OBLIGATIONS OF OWNERS

Article 32. Assessments. All owners shall be obligated to pay regular and special assessments imposed by the Owners' Association to meet all common expenses of the Condominium, except for utilities or services to the property that are charged to the owners individually. Assessments shall be levied in accordance with the ownership interests allocated to each unit in the Charter. Regular assessments shall be paid in accordance with procedures adopted by the Board of Directors. Special assessments shall be paid in an amount and manner approved by the owners at a General Assembly. Regular assessments may include payments to a general operating fund, and payments to a renovation fund if such a renovation fund is approved by the owners at a General Assembly.

Article 33. Maintenance and Repair. Every owner is responsible for maintaining his/her unit in good repair, and is liable for any damage caused by failure to do so. An owner shall reimburse the Owners' Association for any expenses incurred in repairing or replacing any common property or facility damaged through such owner's fault.

Article 34. Structural Changes in Units. An owner shall not make structural modifications or alterations in a unit without first notifying and receiving written approval from the Owners' Association, in writing. Such changes, if approved, shall be made at the sole risk and expense of the owner.

Article 35. Use of Common Areas and Facilities. Each owner is entitled to use the common property of the Condominium, so long as such use does not harm the rights or interests of the other owners. An owner shall not place or cause to be placed in the lobbies, vestibules, stairways, elevators, or other common property or facilities, any furniture, packages, or objects of any kind, except for refuse meant for disposal, which must be placed in containers provided for that purpose.

Article 36. Right of Entry. Representatives of the Condominium shall be permitted to enter a unit, after 5 days' notice to the owner, to make repairs, perform maintenance, renovate, or replace common property within the unit. Notice shall not be required for representatives of the Condominium to enter a unit in case of any emergency originating in or threatening that unit or any other unit or the common property, whether or not the owner is present at the time of entry.

Article 37. Rules of Conduct.

- (a) No resident of the Condominium may post any advertisements or notice of any kind in or on the common property, except as authorized by the Owners' Association or the Board of Directors.
- (b) Residents shall exercise care in making noise or using musical instruments, radios, television, and stereo equipment that may disturb other residents.
- (c) Throwing garbage or trash outside the disposal facilities and containers provided for that purpose is prohibited.
- (d) Residents may not install wiring for electrical or telephone installation, television antennae, machines, air conditioning units, or the like, on the exterior of the building or protruding through the walls or the roof of the building, except as authorized by the Owners' Association or the Board of Directors. Residents may not tap into utility or service lines serving the common property to appropriate utilities or services for their own use.
- (e) Residents may keep ordinary household pets. The owner of a pet is responsible for assuring that the pet does not soil or damage the common property or any other unit, or cause disturbance to the other residents of the Condominium.

- (f) [Other rules approved by majority vote of the owners can be added to these or substituted for these.]

CHAPTER VIII - COMPLIANCE WITH BYLAWS

Article 38. Conflicts. In case a provision of these Bylaws conflicts with any provision of law or the Charter, the law or Charter shall prevail.

Article 39. Enforcement. Failure to comply with these Bylaws shall be grounds for an action brought in the name of the Owners' Association to recover damages or to seek injunctive relief against the owner in cases where the owner is in violation. In cases where a tenant or other non-owner occupant of a unit is in violation, the Owners' Association may bring an action against the occupant or the owner of the applicable unit, or both, at the option of the Owners' Association.

CHAPTER IX - AMENDMENTS TO BYLAWS

Article 40. These Bylaws may be amended by majority vote of the owners at a General Assembly convened for that purpose.

APPENDIX - MEETING HANDOUTS

CHAIKA CONDOMINIUM

General Meeting

AGENDA

4 July 1995

Review and approval of minutes

Old Business

- Update to group on previous organizational meetings
- Winter storm damage repairs

New Business

- Election of Board
- Assign Committees
 - City Liaison / Resolution Committee
 - Finance / Budget Committee
 - Maintenance Management Committee
 - Registration Committee

Schedule Next meeting

CHAIKA CONDOMINIUM

General Meeting Announcement

The first General Meeting for Chaika will be held on 4 July, 1995 in the front foyer of the building at 19.00. Please bring a chair to sit in.

One of the main purposes of the meeting is to officially vote on the registration of this building as a condominium association. Most of you have been aware of the work a group of us have been doing. Everyone should attend this meeting.

Also during this meeting, we will hold an election of the Board of Trustees.

Your attendance, or representation, at this General Meeting is extremely important. The Board you elect will hold important positions in this community and will be making decisions on your behalf throughout their term. Please be sure to either come to the meeting, or fill out the attached Proxy form and give it to a neighbor to fill in on your behalf.

CHAIKA CONDOMINIUM

Proxy

I/We, _____, unit owner
of Unit _____ (the unit) at Chaika ,
hereby grant to _____ (name of Proxy Voter)
_____ (address of Proxy voter)

a complete and absolute proxy to vote the entire beneficial interest of my unit at the General Meeting of Chaika to be held on 4 July 1995 for the purpose of electing a Board of Trustees and any other issue that will require a vote at the meeting.

The undersigned understands that this proxy is revocable at anytime by written notice to the General Meeting prior to any vote at said meeting.

Signature _____
(unit owner)

Date _____

Signature _____
(Proxy)

Date _____

*****Proxy Voter: BRING THIS SIGNED PROXY TO THE MEETING.**

CHAIKA

MEETING MINUTES

Meeting Date: 14 June 1995

Recorder of
Minutes:

Victor

Persons Present: Andrei
Lesya
Tamara
Sergie
Victor

Issues Discussed/Decisions made:

a.

Review 17 May 1995 meeting minutes reviewed and approved.

b. Sergie presented his report on his recent meeting with PADCO/USAID. They will be sending a representative to our General Meeting in July as an observer. Sergie also reported that he has formats for ballots and proxies for the General Meeting and that announcements of time and date will be distributed next week.

c. Tamara reported the lifts have been serviced by the ZeHK last week and 2 of the 3 are working adequately for now. She also reported that the third one has a problem with the motor and may have to be replaced.

d. Victor reported that he has begun to meet with the new trash removal company about contracting with them for trash removal. Victor reported that the new enterprise called "Business Is Picking Up", is anxious to do the work and will be more reliable than the Monopoly currently handling the job. It was decided that we should investigate other new companies and get prices before concluding any new contracts. Victor agreed to continue looking for new companies.

e. Lesya and Andrei reported that they are progressing well in negotiations with the city for housing subsidies to be sent directly to CHAIKA and they believe they will have the approval soon. One thing that has to be completed is a

financial plan for the building and submitted to the city before they will release the subsidies. Lesya and Andrei will continue working on the budget.

Next Meeting:

General Meeting

July 4, 1995 at 19.00 in Foyer (remember to bring a chair!)

CHAIKA

OFFICIAL BOARD OF TRUSTEE BALLOT

FOR 1995

Owners Name: _____

Unit Number: _____

Beneficial Interest : _____

Please cast your vote for 5 people

_____ Andrei

_____ Lesya

_____ Tamara

_____ Sergei

_____ Victor

_____ (write in) _____

_____ (write in) _____

Signed:(owner or
proxy*) _____

*proxy; please attach completed authorization form

APPENDIX -MODEL MANAGEMENT CONTRACT

THIS CONTRACT IS MADE _____ [date] between
_____ [management firm or manager], with its principal place of
business at _____ [address], hereinafter
"Manager," and the
Owners' Association of the condominium located at
_____ [address], hereinafter "Owners'
Association."

SECTION ONE - APPOINTMENT OF MANAGER

(a) Owners' Association appoints Manager and Manager accepts appointment, on the terms and conditions provided herein, as property manager of the condominium located at _____, consisting of _____ residential and _____ commercial units.

(b) Manager understands that Owners' Association is responsible for the operation and management of the condominium, and agrees to confer regularly with the Board of Directors of the Owners' Association or its designated liaison in the performance of management duties. Manager will attend all General Assembly or Board of Directors meetings as requested.

SECTION TWO - INFORMATION ABOUT PROPERTY

Manager will become familiar with the layout, construction, location, and operation of the lighting, heating, plumbing, and ventilating systems, as well as elevators, if any, and other mechanical equipment in the condominium. Copies of any warranties or service contracts shall be furnished to Manager. Owners'

Association shall furnish Manager with a complete set of the plans and specifications of the condominium property, if available.

SECTION THREE - DUTIES OF MANAGER

[These provisions may be modified to fit the needs of the Owners' Association.]

(a) Manager's authority and duties are confined to the condominium's common areas and facilities as defined in the plan of apartment ownership, and do not include management of individual units except as directed by Owners' Association.

(b) Manager shall do the following:

(1) Ascertain the general condition of the property, noting any problems or conditions that require further attention, and take an inventory of all furniture, office equipment, maintenance tools, and supplies, including fuel on hand.

(2) Cause the building and grounds of the condominium to be maintained according to standards acceptable to Owners' Association, including but not limited to interior and exterior cleaning, painting, plumbing, carpentry, and such other normal maintenance and repair work as may be necessary. For any one item of repair, replacement, or purchase, the expense incurred shall not exceed the sum of _____ unless specifically authorized by Owners' Association; except that emergency repairs necessary for the preservation and safety of life and property or required to avoid the suspension of any necessary service to the condominium may be made at the discretion of Manager.

(3) Subject to approval by Owners' Association, make contracts for water, electricity, gas, fuel oil, telephone, vermin extermination, and other necessary services, and place orders for equipment, tools, and supplies necessary to maintain the condominium. All such contracts and orders shall be made in the name of Owners' Association and shall be subject to the limitations set forth in paragraph (b)(2).

(4) On the basis of job specifications and wage rates previously approved by the Board of Directors, hire, pay,

supervise, and discharge the personnel needed to maintain and operate the condominium. Such personnel shall be employed by the Owners' Association and not the Manager, and their compensation shall be an operating expense of the condominium.

(5) Maintain service requests in a work order system which shows action taken; investigate maintenance or service problems and report those of a serious nature to Board of Directors.

(6) Maintain records and accounts of Owners' Association.

(7) At least 60 days before the beginning of each fiscal year, submit to the Board of Directors an operating budget of the anticipated receipts and disbursements for the new fiscal year. No expenses in connection with the maintenance and operation of the condominium in excess of the amounts allocated in the approved budget may be incurred by Manager without the prior consent of Owners' Association, except in an emergency, in which case such expenditure shall be brought promptly to the attention of Owners' Association.

(8) Arrange for deposit of assessments collected from owners and rents collected from tenants of commercial units, and report to Board of Directors each month on the status of collections.

(9) Pay out of funds deposited in Owners' Association operating account for the following:

(i) sums payable by Owners' Association as operating expenses, including Manager's compensation;

(ii) compensation due to employees of Owners' Association;

(iii) taxes;

(iv) property insurance premiums; and

- (v) other sums as directed by the Board of Directors.
- (10) Manager shall provide to Board of Directors a monthly statement of receipts and disbursements.
- (11) Promptly investigate and notify Board of Directors in writing about all accidents or claims for damage, and the estimated cost of repair. When authorized by Board of Directors, obtain and keep in force insurance needed to protect Owners' Association and condominium property.
- (12) Comply promptly with orders or requirements regarding the premises from any government authority and notify Owners' Association in writing of all orders and requirements.
- (13) Working with an accountant, prepare for filing by Owners' Association all forms and reports required by law in connection with unemployment insurance, workers' compensation insurance, disability benefits, Social Security benefits, and other similar taxes for Owners' Association employees.
- (14) Handle renting of any nonresidential units, arranging for execution of leases or permits as required.
- (15) Operate and maintain the condominium according to the highest standard achievable consistent with the overall plan of Owners' Association.

SECTION FOUR - MANAGER'S EXPENSES

Expenses incurred by Manager in performance of duties for Owners' Association shall be paid by Owners' Association, except for the overhead expenses of Manager's office.

SECTION FIVE - OWNERS' ASSOCIATION FUNDS

Manager shall maintain in a bank acceptable to Owners' Association a separate bank account for deposit of Owners' Association's moneys, with authority to draw on them as agent of Owners' Association for any payments to be made or expenses incurred by Manager under this Contract.

SECTION SIX - COMPENSATION OF MANAGER

Manager's compensation for services performed under this agreement shall be _____ per month [or _____ per unit per month].

SECTION SEVEN - TERM OF CONTRACT; TERMINATION

(a) Unless terminated under paragraph (b) or (c) of this section, this Contract shall be in effect from _____ until _____.

(b) This Contract may be terminated by mutual consent of the parties at the end of any calendar month.

(c) If, in the opinion of either party, the other party is in breach of this Contract, the aggrieved party shall notify the other party in writing, setting forth the details of the breach. If within 30 days the offending party does not cure the breach or proceed diligently to cure the breach, the aggrieved party may terminate this Contract.

(d) On termination, the parties shall account to each other with respect to all matters outstanding as of the date of termination.

OWNERS' ASSOCIATION:

By: _____
Title:

MANAGER:

By: _____

Title [if a company]:

APPENDIX -MODEL OWNER-CONTRACTOR CONTRACT

THIS CONTRACT IS MADE _____ [date] between
_____ [Contractor], with its principal place of
business at _____ [address], hereinafter "Contractor,"
and the Owners' Association of the Condominium located at
_____ [address], hereinafter "Owners' Association."

SECTION I - APPOINTMENT OF CONTRACTOR

(a) Owners' Association and Contractor agree that Contractor will perform work as described in Section Two, on terms and conditions described in this Contract.

(b) Contractor understands that Owners' Association is responsible for the operation and management of the common property of the condominium, and agrees to confer regularly with the property manager, Board of Directors, or other designated liaison of the Owners' Association in the performance of the work.

SECTION II - DESCRIPTION OF WORK

Contractor will perform the following work under this Contract:

[Describe work to be performed under the Contract in sufficient detail to assure that the contractor understands exactly what is to be done. If specifications or drawing are available, they should be attached to the contract.]

SECTION III - CONTRACT AMOUNT AND PAYMENT SCHEDULE

Owners' Association shall pay Contractor the sum of _____ for the performance of the work. Payments will be made according to the following schedule, subject to acceptance of the work by the Owners' Association:

% of Work Done	Completion Date	Amount Due
_____	_____	_____

_____	_____	_____
_____	_____	_____
_____	_____	_____

SECTION IV - TIME FOR PERFORMANCE

(a) Work under this Contract shall begin on _____ and shall be complete by _____.

[Add interim stages if appropriate.]

(b) If completion is delayed for reasons beyond Contractor's control, Contractor shall provide written notice to Owners' Association explaining the reasons for the delay. If Contractor fails to give notice of reasons for the delay or the delay is not with good cause, Contractor will be in default of this Contract.

SECTION V - CHANGES IN THE WORK

Owners' Association and Contractor agree that no changes in the description of the work or the contract sum may be made unless agreed to in writing by both parties.

SECTION VI - CARE OF WORKSITE

Contractor agrees to remove all construction debris and surplus material from the property upon completion of the work, and to leave the property in a neat and clean condition.

SECTION VII - WARRANTY

Contractor agrees to provide a one-year warranty for the work. The warranty provides that the work is of good quality and free from defects in materials and workmanship. To make a claim under the warranty, Owners' Association must notify Contractor of such defect within one year after final payment is made.

OWNERS' ASSOCIATION:

By: _____
Title

CONTRACTOR:

By: _____
Title [if a company]:

Appendix - To be replaced with a different form

WORK ORDER FORM

No. _____

Date: _____

Condominium: _____

Requested By: _____ (owner) _____ (unit
number)

Work Required:

Worker: _____ Hours Worked: _____

Materials Used:

Itemized Charges:

Charges to Condominium:

Charges to Owner;

Owner's Signature/Approval of Work _____ Date:

ATTACHMENTS

APPENDIX -MODEL EMPLOYMENT AGREEMENT (EXAMPLE)

THIS AGREEMENT is entered into between the Owners' Association of the Condominium located at _____ [address of Condominium] as Employer and _____ as Employee, on _____ [date].

1. Term of Employment. Employer hires Employee beginning on _____ [date] as a full-time [or part-time] caretaker to perform the duties listed in the Appendix to this Agreement. This Agreement shall be in effect until _____ [date] [or for an indefinite period of time]. Employer may terminate this agreement at any time if Employee fails to perform the duties required in a manner that is satisfactory to Employer.

2. Compensation. Employer shall compensate Employee at the rate of _____ per month for so long as this Agreement shall remain in effect and Employee shall continue to perform the duties required in a manner that is satisfactory to Employer.

3. Hours of Work. Employee shall work during the hours of _____ to _____ on each of _____ days per week, for a total of _____ hours per week, in performing the duties required.

4. Supervision. Employee shall work under the supervision of _____ [designate the property manager or the presiding officer of the Owners' Association]. Employee shall not be supervised by or perform work at the request of any individual resident of the condominium without such work being authorized by the person designated above.

5. General Duties:

a. Report problems or damage in the common property to _____ [designate the property manager or the presiding officer of the Owners' Association] as soon as possible.

b. Maintain an inventory of the furnishings in the common property and keep them clean and in good condition.

- c. Oversee the proper use of attic, basement, and other premises (laundry room, storage room, etc.) in the condominium.
- d. Answer the front door during hours when it is locked.
- e. Make sure that stairway and other common areas are properly lighted and replace light bulbs as needed.

6. Cleaning Tasks:

<u>TASK</u>	<u>FREQUENCY</u>
sweep hallways and stairways	every day
sweep sidewalk	every day
remove debris and litter	as needed
wash entrance hall	twice a week
wash hallways and stairways	once a week
clean the attic and cellars	twice a year
clean the garbage storeroom	once a week

7. Other Duties:

[List as appropriate.]

OWNERS' ASSOCIATION:

By: _____
Title:

EMPLOYEE:

SAMPLE INSPECTION APPROACH FOR DETERMINING THE CONDITION OF THE PROPERTY

The inspectors should write everything down. The better informed the owners are, the easier time they will have managing repair and maintenance problems.

To simplify things, the inspectors should divide the building and its systems into smaller components. They should begin at the bottom and work up.

THE BASEMENT

- Corridors: Are they clean, clear and unobstructed?
- Exits: Are they clearly marked, unobstructed and operable?
- Lighting: Are all areas of the basement well lit, even the corners? Are all fixtures working, and all bulbs still good? Are switches clearly marked and unobstructed?
- Garbage Room: Are the cans up off the floor on pallets? Are the cans in good shape, with tight-fitting lids? Are there rat or rodent problems? Is the room swept and clean? Are there odor problems?
- Meters: If there are gas, electric, or water meters, are they easily accessible to meter readers and residents? Are they clean and protected from damage? Are they well lit?
- Storerooms: Are they secure and safe? Are they well lit? Are the contents of storerooms all accounted for? Are there pallets and shelves to keep stored material off the floor in case of a flood?
- Windows and Doors: Are all the windows and doors intact and in good shape? Do the locks work well? Are operable units still working? Are doors obstructed by piled junk? Are windows and doors tight in their frames so that there are no bad heat leaks? Are they freshly painted and puttied?
- Ceiling, Walls, and Floor: Are they clean and well kept up? How is the paint? Are there leaks of dirt or water around the foundation walls? Are the floors uncluttered, dry, and free of oil or grease?

- **Plumbing:** Are there any obvious plumbing leaks? Are hot water overheads and risers insulated? Are all valves plainly marked, color coded, and well lit? Are overheads fastened in place, not loose or dangling? Are floor drains and the house trap clear and clean? (You may want to bring along someone who is familiar with plumbing when you inspect this system.)
- **Wiring:** Is the wiring intact and well protected? Is all the wiring accounted for, or are there dangling wires that do not seem to lead anywhere? Are the cables encumbered, by hanging junk for instance? Is the service panel unobstructed and well lit? Are there any signs or evidence of problems, such as scorch marks, or frayed wires or cables? (You may want to bring along an electrician when you inspect this system.)

THE HEATING SYSTEM

- **Controls:** Are all the controls clean, easily found, and well marked? Are they operable?
- **Piping:** Is all piping in good condition? Are valves clearly marked? Are risers and overheads insulated? Are all connections tight and without obvious leaks?

LOBBIES AND HALLWAYS

- **Mailboxes:** Are all mailboxes clean and in good condition? Do they open and close well? Do locks work? Are residents' names marked on them?
- **Stairways:** Are stairs in good condition, without loose treads or pulled up carpeting that could cause accidents and falls? Are they well lit, clean, and unobstructed? Are all handrails intact and securely fastened?
- **Apartment doors:** Are all apartment entry doors well marked with either the apartment number or the occupant's name(s)? Are the doors in good shape, without holes or broken locks or hinges?
- **Lighting:** Are all hallways, stairwells, lobby, and any other public spaces brightly lit at all times? Are light bulbs in place and all fixtures still working? Are switches easily located and well marked?
- **Ceilings, walls, and floors:** Are all surfaces clean and in good repair, free of holes, cracks, or peeling paint? Are walls and ceilings freshly painted? Is the finish floor safely fastened, without loose tiles, boards, or carpet?

INDIVIDUAL UNITS

While maintenance of individual apartments is the responsibility of the owner, certain components of the common property can be accessed only through the apartments. In addition some of the units may be owned by the Association and will require interior inspection and maintenance. The Owners' Association has the right to determine whether these components are in good working order, since a problem in one apartment may affect the whole property.

- Windows and window gates: Are the windows in good repair? Are all the panes in place? Are any cracked? Is the wood solid, free of rot, and freshly painted? Is the window putty cracked or dried out? Do the windows slide smoothly and close tightly? Are the windows weather-tight? Are the window locks sufficiently secure and in good operating condition? If you have window gates, is the paint still good? If they are supposed to open, do they still work? If they are the key type, is the key easily accessible?

- Bathroom: Are all fixtures in good operating condition? Are faucets easy to use? Do they shut tightly, without dripping? Are there leaks around faucets, or around the toilet? Are drains clean and operable, free of obstructions? If there is a shower, is the surrounding area fully waterproofed? Is the bathroom ventilated? If there is an exhaust fan, is it working?

- Kitchen: If there is a gas stove, is it in good working order, with all pilots operating and no smell of leaking gas? Does the sink fill and drain quickly? Are there any plumbing leaks?

- Heating: Are all radiators in good operating condition, without leaks or rusty puddles beneath them? If there are valves and controls, do they work well? Do the radiators provide sufficient heat to all rooms? Are they unobstructed?

- Wiring and electricity distribution panels: Is wiring adequate for current needs? Do the occupants blow fuses often, indicating overloaded circuits? Are fuses in adequate supply, and the fuse box or circuit breaker box well marked? Are there any signs of trouble, such as scorch marks around outlet sockets, warm spots behind outlets, or switches which could suggest overloaded wiring?

BUILDING EXTERIOR

- Roofing and skylights: Is the roof in good condition? Are joints well sealed, and seams tight, without open cracks or bubbles where strips of roofing material overlap? Is the roof surface free of punctures or tears? Does water run off freely without puddling? Is the flashing around skylights well sealed? Is the roof clean and free of litter or debris?

- Roof drainage: Are all gutters and drains clean, unblocked by leaves or trash? Is the sealant around drains still intact? Does water collect around the drains in puddles that could lead to leaks?
- Downspouts: Do all gutters have downspouts where they are needed? Are downspouts in good condition, not rusted or broken? Do downspouts keep water away from the building facade, or does water leak down the side of the building?
- Parapet walls: Are all parapet walls intact and upright? Are all coping stones solid and in place, with no gaps or loose stones? Is the flashing around the base of the parapet wall solid and strong?
- Vents, stacks, and chimneys: Are chimneys upright and intact, with all bricks and mortar in good condition? Is flashing around the chimneys, vents, and stacks intact and well sealed? Are vents and stacks present, not broken off or bent? Are vents and stacks clear, not blocked with debris dropped or forced down them? Are vents and stacks protected from blockage by reverse curved ends or screens?
- Masonry facade: Are the bricks and mortar on the building's outside walls in generally good shape? Are there any missing bricks, or sections where the mortar has washed out? If a wall was once a party wall with another building, is that wall solid and weatherproof?
- Windows: Are all windows in place, in reasonably good condition on the exterior, without missing panes? Are frames set tightly into the masonry opening, without gaps or cracks where water could get in? Are the window frames well caulked and weathertight? Is the exterior sill on every window solid, not rotten, and does it drain water away from the wall?
- Doors: Are all doors functioning? Are any missing? Are all hinges well oiled and fully fastened? Are all locks in good working order, fitted with keys that work? Are door stops and weather seals in good shape? Are doorways clean and unobstructed by debris? Are basement window wells empty, free of leaves or litter?
- Fire escapes: Are all fire escapes intact and freshly painted, with no bright undercoat showing through anywhere? Are escapes fastened solidly to the building wall? If the escapes have retractable sliding ladders, do these mechanisms work easily and quickly? Are fire escapes and ladders clear, unobstructed by plants, furniture, or junk?

- Courtyards and airshafts: Are courtyards clear, free of litter, and well paved? Are paths smooth and curbs in place? Are airshafts clean, not filled with garbage or debris?
- Sidewalks: Are sidewalks surrounding your building in good condition, with no bad cracks or missing pieces of pavement?
- Gates and fences: If your building has gates and fences around it, are they in good repair? Do the gates open and shut easily and tightly? Are the gates and fences freshly painted and free of plant growth or underbrush?
- Lighting: Is all exterior lighting in good working condition? Do all fixtures have bulbs in them and are they operating? Are fixtures well aimed? Are bulbs protected by screens? Is sufficient lighting provided in high danger zones, such as stoops and doorways? Are paths well enough lit to prevent accidents?
- Area drains: Are area drains in courtyards and airshafts and on paths outside your building clean, unblocked by debris, and draining well? Does water run toward them quickly, without pooling? Is the paving around them solid, not cracked? Are the drains well screened to keep obstructions from washing, or being forced, down them?
- Retaining walls: Are foundations and retaining walls in good shape, not buckled or badly bulging? Are plants kept well away from them, so that they can't tear mortar from between the blocks? Is the ground surrounding the building clear and solid, without deep holes which could indicate bad roof-water run-off and possible leakage into the basement and weakening of the walls?
- Stoops: Are front and back stoops in good shape? Are the steps to them solid, without broken or missing treads? Are all railings intact and strong? Are stoops well lit?

SETTING PRIORITIES

There are a variety of factors which go into establishing a system of priorities, but the following system is simple and most relevant to small and medium residential maintenance operations.

EMERGENCY

The building or part thereof is or will be unusable immediately or it will become severely damaged.

URGENT

The problem is exposing users to unnecessary risks or will likely to cause the full enjoyment of the property to stop if not attended to.

SERIOUS

A problem not threatening the functioning of the building or likely to, but is depriving users/residents of important benefits.

ROUTINE

A problem not threatening the occupants or the use of essential features of the facility but which reasonably requires action soon.

OPTIONAL

Work which needs to be done at some point but which is not required immediately.

SEASONAL

Work which needs to be done at a scheduled point during the year but which is an irregular schedule.

EQUIPMENT MAINTENANCE

An Owners' Association should practice "preventive maintenance" for its equipment. This requires carrying out a scheduled program and keeping records of the following:

- Date of purchase of equipment.
- Service guarantee or warranty.
- Spare parts to be kept in stock for repairs.
- A schedule for preventive maintenance inspections and work on equipment such as pumps, motors, tanks, and electrical transformers.
- A record to indicate when large pieces of equipment were serviced and what parts were changed.
- An estimate of when items of equipment will need to be replaced.
- Reserve funds needed for replacement of equipment.

If these records are maintained on each piece of equipment and sufficient reserve funds are set aside each month, the Owners' Association should be able to repair or replace equipment as needed.

MEETING PROCEDURES

THE AGENDA

General Meetings and Board of Directors meetings will be more productive if they are organized and follow an agenda. The preparation of an agenda for the meeting is the responsibility of the presiding officer, in consultation with the other members of the Board of Directors and the property manager, if there is one.

Although the agenda for meetings of the Board of Directors may vary from the agenda for a General Meeting, they both follow the same format. A typical agenda format is as follows.

Call to Order. The president or designated presiding officer calls the meeting to order by stating: "The meeting will now come to order."

Roll Call. The president may request the secretary to call the roll of the members present. A roll call is not required, but may be desirable at a General Assembly to assure the presence of a quorum, especially for a vote on an important issue.

Minutes of Preceding Meeting. The president may ask the secretary to read the minutes of the preceding meeting. Reading of the minutes may be dispensed with if there is a motion to that effect, and if the minutes have been distributed in writing to the owners prior to the meeting. The presiding officer should ask for corrections or additions, even if the minutes are not read.

Reports. The presiding officer asks for reports that are to be presented at the meeting, such as:

- report of the Board of Directors or the Property Manager;
x
- reports of permanent committees, such as the Account Auditing Committee;
x
- report of special committees.

Unfinished business. The presiding officer should introduce business arising out of discussions at previous meetings. These matters may be acted upon or continued until the next meeting.

Nominations. If there is to be an election at the meeting, the presiding officer announces the nominations of candidates by saying: "Nominations for the office of _____ will now be received."

The nomination of candidates for office may be made by a special committee appointed by the presiding officer for that purpose, or by anyone from among the owners assembled. Nominations do not need to be seconded. Those nominated have the right to decline. When the presiding officer feels that no more nominations will be made for an office, he or she may close the nomination process.

Elections. The presiding officer announces the voting for the nominees for the office. The voting may be by voice, show of hands, ballot, or other method, as long as it is done in accordance with the Charter of the Homeowner Association. Normally, the elected officers takes office at the next meeting of the Board of Directors.

New business. The presiding officer requests new business, saying "New business is in order." Other Board of Directors members, owners, the presiding officer, or the property manager may present concerns calling for action. Action is initiated when a owner makes a motion on a matter.

Motions. Motions are used to bring proposals before a meeting. An owner presents a motion, or a proposal, after being recognized by the presiding officer. If the motion is in order, the presiding officer calls for a "second" -- another person to support consideration of the motion. If no one seconds a motion, the matter is dropped and is not discussed further at the meeting. If a motion is seconded, the matter is discussed, possibly amended, and then it is voted on. The presiding officer announces the results of the voting, that is, whether the motion is approved or rejected.

Adjournment. When the presiding officer determines that there is no further business to come before the meeting, or no more time is available, a motion is made to adjourn the meeting. Motions to adjourn are seconded and voted on like any other motion.

CONDUCTING THE MEETING

The presiding officer must take charge of a meeting, so that the purposes of the meeting are accomplished in an orderly and efficient manner. The presiding officer has the following specific responsibilities:

a)

- call the meeting to order;
- x
- recognize members who wish to speak;
- x
- encourage discussion of the pros and cons of an issue;
- x
- keep discussion focused on problem at hand;
- x
- explain the effects of the motion where uncertainty exists;
- x
- dispose of the business at hand;
- x
- close the meeting.

Observing the following guidelines will help the presiding officer fulfill his/her responsibilities:

- control the meeting without coercing the owners;
- x
- be well-informed about the condominium's operations;
- x
- be courteous;
- x
- avoid hasty action;
- x
- be fair, impartial, and impersonal;
- x
- speak to the issue under consideration;
- x
- use common sense.

Certain principles should be followed to help resolve conflict and create a spirit of cooperation and consensus among the owners. These include:

The discussion should be fair. Give everyone who wants to speak an opportunity to do so before any individual can speak more than once. Limit the length of comments so no one can dominate the discussion. Encourage participation by making comments such as: "I believe you have some ideas on this issue. Why don't you tell us what you think?" Nothing antagonizes people more than the feeling that they have been railroaded or that no one listens to them.

Make sure the owners are informed. Give owners advance notice of important issues which are coming up. Give them the facts by letter or in a newsletter. For elections, print resumes of candidates and distribute them ahead of the election. Hold two meetings instead of one, if more time is necessary to give people a chance to think through their decisions.

Make sure the owners understand what is happening. Give people a chance to ask questions. After you have answered, ask: "Does that answer your question?" If not, try again. Take time to read the motion under consideration just before you take a vote. Write the names of candidates plainly on a blackboard, or better yet, have ballots prepared ahead of time.

Encourage the timid. Do not let a loudmouth intimidate less vocal owners. Some people find it very difficult to stand up in a meeting and voice an opinion. Members of the Board of Directors should make themselves available between meetings for individual conversations. These informal discussions can be an important source of information about the opinions of owners.

Encourage compromise. Many times the predominant opinion can incorporate ideas from the opposition. The object is not to crush the opposition but to achieve the most satisfaction among the greatest number of owners.

Discourage power politics. A condominium can be seriously harmed by any faction which uses ruthless tactics. A faction at one condominium began a filibuster to stretch out the meeting until the early hours of the morning, hoping that most owners outside the faction would go home and leave the faction in control. The other owners stopped that tactic by voting for adjournment at ten o'clock. They could have limited debate as an alternative measure. Do not be afraid to take action necessary to maintain democratic principles.

SURVEY OF OWNERS FOR
BUILDING MAINTENANCE OBJECTIVES

1. What type of Owner are you?

___ Residential ___ Commercial ___ Other (_____)

2. Do you occupy the unit or rent (lease) it to someone else?

___ Occupy ___ Rent (lease)

3. In the coming year, what are the most important results you want for your grounds (attached territories)? Please put in order of importance.

Number One Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

Number Two Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

Number Three Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

4. In the coming year, what are the most important results you want for your building (not including your unit/flat)? Please put in order of importance.

Number One Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

Number Two Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

Number Three Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

5. In the coming year, what are the most important results you want for your communal services (heat, hot water)? Please put in order of importance.

Number One Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

Number Two Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

Number Three Result: _____

Would you pay more to get this result?

___ a lot more ___ some more ___ a little more ___ no more

6. In the coming year, what are the most important other results you want for this condominium? Please put in order of importance.

Number One Result: _____

Would you pay more to get this result?

☐ a lot more ☐ some more ☐ a little more ☐ no more

Number Two Result: _____

Would you pay more to get this result?

☐ a lot more ☐ some more ☐ a little more ☐ no more

Number Three Result: _____

Would you pay more to get this result?

☐ a lot more ☐ some more ☐ a little more ☐ no more

1. **GENERAL LEDGER SHEETS FOR INCOME**

Use a general ledger sheet designed for recording income to the condominium. You will need one sheet for Condominium Assessment Income and you may also need sheets for Rent Income, Interest Income, etc.

Name and Year. At the top of the form, enter the name of the condominium and the year.

Type of Income. Indicate the type of income to be recorded on the blank line at the top of the sheet.

Opening Budget. For each kind of income, enter the amount the condominium expects to receive from that income on the Opening Budget line in Column 1 - Amount Due From This Income, and Column 4 - Balance Remaining From This Income.

Income Received. The total income received from the applicable category is recorded in Column 2 - Amount Received From This Income. This amount is then added to the most recent amount recorded in Column 3 - Cumulative Total Received and is recorded in Column 3. At the beginning of each year, the previous amount will always be zero (0).

Balance Remaining. Finally, subtract the amount received for the month recorded in Column 2 from the most recent balance in Column 4 -Balance Remaining From This Income. The amount recorded in Column 3 will tell how much the condominium has received from this income for the year to date, and the amount found for Column

4 will tell how much the condominium still expects to receive during the year.

2. GENERAL LEDGER SHEETS FOR EXPENSES

Use a general ledger sheet designed for recording expenses of the condominium. You will need quite a few copies of this form--one for each kind of expense included in the budget. These would certainly include Fuel and Utilities, Insurance, Building Supplies, and Electricity, and may include Payroll, Legal Fees, Accounting Fees, and Interest Expense, among others.

Repair and Maintenance items will require many expenditures over the course of a year, many of them difficult to predict accurately. Therefore, it will be necessary to group many repair and maintenance items under one line in the budget and estimate an amount that will cover them all.

Frequently, there will be one or two repair or maintenance items that will consume a major portion of the budget. For example, it is likely that plumbing will require a good deal of money during the year and should have its own line and amount on the budget. Plumbing would also have its own general ledger for expense sheet.

The building may have other categories where it is possible to predict concentrated expenses, such as electrical or roofing. If that is the case, then the budget should include amounts for these items and each will have a sheet in the General Ledger for Expense.

Name and Year. At the top of the form, enter the name of the condominium and the year.

Type of Expense. Indicate the type of expense to be recorded on the sheet on the blank line at the top of the sheet.

Opening Budget. For each kind of expense, enter the amount the condominium expects to spend for that expense on the Opening Budget line in Column 2 - Amount Available For This Expense, and Column 4 - Balance Remaining From This Expense.

Amount Spent. Each expenditure in the applicable category is recorded in Column 1 - Amount Spent. This amount is then added to the most recent amount recorded in Column 3 - Cumulative Total Spent, and is recorded in Column 3. At the beginning of each year, the previous amount will always be zero (0).

Balance Remaining. Finally subtract the amount spent during the month, recorded in Column 1, from the most recent balance in Column 4 - Balance Remaining for Expense. The amount recorded in Column 3 will tell you how much the condominium has spent for this expense for the year to date and the balance in Column 4 will tell you how much the condominium still expects to spend during the year.

3. SPECIAL CASES: RECORDING BUDGET MODIFICATIONS

When the Homeowner Association finds that it must re-allocate resources from another expense area or must raise additional income to cover higher than expected costs, you will want to modify the sheet in the general ledger for that expense to reflect the additional amount available for that expense.

For example, after an unexpectedly large plumbing repair expense in March, it is decided to budget an additional 5million karbovonets for plumbing for the rest of the year. "Modification" is written in the Comments column and 5million karbovonets is recorded in Column 2 -Amount Available for this expense. Then the \$500.00 is added to the balance remaining for this expense. This gives the condominium a new, higher balance remaining for this expense.

GENERAL LEDGER FOR INCOME FORM

GENERAL LEDGER FOR INCOME	
Condominium: _____	Year: _____
Type of Income: _____	

Item	Date	Comments	Amount Due	Amount Received	Cumulative Total	Balance Remaining	Item
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		Opening Budget	25,710.00			25,710.00	
1	Jan.			1,782.50	1,782.50	23,927.00	1
2	Feb.			2,130.00	3,912.50	21,797.50	2
3	Mar.			1,882.50	5,795.00	19,915.00	3
4		Budget Modification	630.00			20,545.00	4
5	Apr.			2,285.50	8,080.50	18,259.50	5
6							6
7							7
8							8
9							9

GENERAL LEDGER FOR EXPENSE FORM

GENERAL LEDGER FOR EXPENSE	
Condominium: _____	Year: _____
Type of Expense: _____	

Item	Date	Comments	Amount Spent	Amount Available	Cumulative Total	Balance Remaining	Item
------	------	----------	--------------	------------------	------------------	-------------------	------

		Opening Budget		1,000.00		1,000.00	
1	Jan.		48.50		48.50	951.50	1
2	Feb.		72.95		121.45	878.55	2
3	Mar.		475.00		596.45	403.55	3
4		Budget Modification		500.00		903.55	4
5	Apr.		28.75		625.20	874.80	5
6							6
7							7
8							8
9							9

